Prospectus of Arabian Drilling Company

A Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698, dated 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), and with commercial registration No. 2051026089, dated 3 Safar 1423H (corresponding to 16 April 2002G).

Offering of twenty-six million seven hundred thousand (26,700,000) Shares representing thirty per cent. (30.0%) of the share capital of Arabian Drilling Company, following the capital increase (which represents eleven point twenty-five per cent. (11.25%) of the Company's share capital before the capital increase) through an initial public offering at an offer price of one hundred Saudi Arabian Riyals (SAR 100) per Share.

Offering Period: Two (2) days starting from 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G) to 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G).

Arabian Drilling Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 and with Commercial Registration No. 2051026089, dated 3 Safar 1423H (corresponding to 16 April 2002G) issued in Al Khobar, Kingdom of Saudi Arabia. The Company's head office is located in Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia. As of the date of this Prospectus, the share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**"). The Company was established as a joint venture on 25 Thul-Qi'dah 1383H (corresponding to 7 April 1964G) and incorporated as a closed joint stock company on 26 Muharram 1389H (corresponding to 13 April 1969G) under the name "**Arabian Drilling Company**" and registered under Commercial Registration No. 2050002237, dated 26 Muharram 1389H (corresponding to 13 April 1969G), with a capital of two million Saudi Arabian Riyals (SAR 2,000,000), divided into twenty thousand (20,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, whereby 51.0 per cent. of such shares were held by the General Petroleum and Mineral Organization and 49.0 per cent. of the shares were held jointly by Société de Forages Pétroliers Languedocienne Forenco and Société Forex. Subsequently, the capital of the Company was increased from two million Saudi Arabian Riyals (SAR 2,000,000) to twenty million Saudi Arabian Riyals (SAR 20,000,000), with the respective shareholders maintaining the same percentage ownership interest. As a result of several transactions, including acquisitions and mergers, the 49.0 per cent. of the shares in the Company owned by Société de Forages Pétroliers Languedocienne Forenco and Société Forex were gradually transferred to entities within the Schlumberger Group, through several transactions, which transfers were completed in 1972G. Services Pétroliers Schlumberger S.A. became the holder of record of 49.0 per cent. shares in the Company on 29 Thul-Qi'dah 1410H (corresponding to 23 June 1990G) following a merger of two predecessor entities from the Schlumberger Group. Pursuant to the general assembly resolution dated 30 Safar 1420H (corresponding to 14 June 1999G), the Company was converted from a closed joint stock company to a limited liability company in accordance with the Royal Order No. 7/B/1058 issued on 19 Muharram 1420H (corresponding to 5 May 1999G) with a capital of twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. On 2 Sha'ban 1424H (corresponding to 28 September 2003G) the Chairman of General Petroleum and Mineral Organization issued a letter No. 1000/A to transfer its full one hundred and two thousand (102,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, amounting to 51.0 per cent. of the Company's capital to The Industrialization & Energy Services Company (TAQA). On 15 Rabi' al-Awwal 1431H (corresponding to 31 March 2010G), the capital of the Company was increased from twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share to twenty-two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two hundred and twenty-five thousand eight hundred (225,800) shares, with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, through capitalisation of two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 2,580,000) from the shareholders' current account. As a result, the total shares of the Company held by The Industrialization & Energy Services Company (TAQA) were in the amount of one hundred fifteen thousand one hundred and fifty-eight shares (115,158) amounting to 51.0 per cent. of the Company's capital, and the total shares of the Company held by Services Pétroliers Schlumberger S.A. were in the amount of one hundred and ten thousand six hundred and forty-two (110,642) shares amounting to 49.0 per cent. of the Company's capital. On 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), the Company was converted from a limited liability company to a closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 under the name "**Arabian Drilling Company**" with a capital of twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. Pursuant to the shareholders' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), the Company's capital increased from twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through capitalisation of an amount of six hundred seventy nine million nine hundred ninety nine thousand and two hundred Saudi Arabian Riyals (679,999,200) from the retained earnings account and ninety seven million four hundred twenty thousand and eighty hundred Saudi Arabian Riyals (SAR 97,420,800) from the additional paid-up capital. Pursuant to the shareholders' resolution dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), it was agreed that the Company's capital would be increased from eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to eight hundred ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and offering of such newly issued nine million (9,000,000) Shares, (representing 10.11 per cent. of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (*Evolution of Capital*).

As of the date of this Prospectus, the Company's current capital is eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The Company's capital after the Offering will be eight hundred and ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, as a result of the Company's capital increase through the offering of nine million (9,000,000) newly issued Shares, (representing 10.11 per cent. of the Company's share capital after the increase) for public subscription.

Joint Financial Advisors, Bookrunners and Underwriters

SNB Capital

HSBC

Goldman Sachs

Joint Global Co-ordinators

HSBC

Goldman Sachs

Local Co-ordinator

SNB Capital

The initial public offering of the Company's Shares (the "**Offering**") of twenty-six million seven hundred thousand (26,700,000) Shares consisting of: (i) the sale of seventeen million seven hundred thousand (17,700,000) existing Shares (the "**Sale Shares**"); and (ii) the issue of nine million (9,000,000) new Shares (the "**New Shares**", and collectively with the Sale Shares, the "**Offer Shares**" and each an "**Offer Share**"). The Offering price will be one hundred Saudi Arabian Riyals (SAR 100) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. The Sale Shares and the New Shares will, on completion of the Offering, represent 19.89 per cent. and 10.11 per cent. of the issued share capital of the Company, respectively, which, in aggregate, represent 30.0 per cent. of the issued share capital of the Company.

The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (as defined in Section 1 (*Definitions and Abbreviations*)). issued by the Capital Market Authority (the "**CMA**") (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, see Section 1 (*Definitions and Abbreviations*)). The number of Offer Shares to be provisionally allocated to the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") is twenty-six million seven hundred thousand (26,700,000) Offer Shares, representing one hundred per cent. (100.0%) of the Offer Shares. The final allocation will be made after the end of the Individual Investors' subscription (as defined in Tranche (B) below), using the discretionary allocation mechanism by the Bookrunners (as defined in Section 1 (*Definitions and Abbreviations*)) in coordination with the Company. As a result, some of the Participating Entities may not be allocated any Offer Shares. The Bookrunners shall have the right, if there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to twenty-four million thirty thousand (24,030,000) Offer Shares, representing ninety per cent. (90.0%) of the Offer Shares.

Tranche (B) Individual Investors: Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom of Saudi Arabia (the "**Kingdom**") or natural persons of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution (the "**Individual Investors**" and each an "**Individual Investor**", and any such Individual Investor participating in the Offering together with the Participating Entities, the "**Subscribers**"). A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million six hundred and seventy thousand (2,670,000) Offer Shares representing ten per cent. (10.0%) of the total Offer Shares shall be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunners may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

The Offering will be made to certain Participating Parties who are located outside the United States (including by way of swap agreements) in "offshore transactions" as defined in, and in reliance on, Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Offer Shares being offered through this Prospectus may not be offered or sold within the United States. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful.

Prior to the Offering, both The Industrialization & Energy Services Company (TAQA) and Services Pétroliers Schlumberger S.A. (the "**Selling Shareholders**") own all the Shares of the Company. The Selling Shareholders will sell the Offer Shares in accordance with Table 6 (Direct Ownership Structure of the Company Pre- and Post-Offering)). Upon completion of the Offering, the Selling Shareholders will collectively own seventy per cent. (70%) of the Shares and will consequently retain a controlling interest in the Company.

The Offering proceeds (the "**Offering Proceeds**") will, after deducting the Offering expenses (the "**Net Offering Proceeds**"), be distributed as follows: (i) one billion, seven hundred and eighteen million, nine hundred and fifty five thousand and fifty six Saudi Riyals (SAR 1,718,955,056) will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Sale Shares being sold in the Offering; and (ii) eight hundred and seventy four million, forty four thousand, nine hundred and forty four Saudi Riyals (SAR 874,044,944) will be distributed to the Company for the general objectives of the Company (for further details, see Section 8 (*Use of Proceeds*)). The Offering is fully underwritten by the Underwriters (for further details, see Section 13 (*Underwriting*)). The Company has two substantial shareholders (i.e., those who own five per cent. (5%) or more of the Company's share capital prior to the Offering), namely The Industrialization & Energy Services Company (TAQA) and Services Pétroliers Schlumberger S.A. (the "**Substantial Shareholders**"), as set out in Table 3 (Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering), who will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six (6) months from the date trading of the Company's Shares starts on the Saudi Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as specified on page (xvii). Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares.

The Offering for Individual Investors will commence on 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G) and will remain open for a period of two (2) days up to and including the closing day on 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through the internet, telephone banking, ATMs, or other electronic channels offered by the receiving agents (the "**Receiving Agents**") listed on page (xii) during the Offering Period to their clients (for further details, see Section 17 (*Subscription Terms and Conditions*)). Participating Entities can bid for the Offer Shares through the Bookrunners within the book-building period before the Shares are offered to the Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is two hundred and fifty thousand (250,000) Offer Shares. The minimum number of allocated Offer Shares will be ten (10) Offer Shares per Individual Investor, with a maximum of two hundred and fifty thousand (250,000) Offer Shares per Individual Investor, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds two hundred sixty-seven thousand (267,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Receiving Agents. Announcement of the final allocation shall be made no later than 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G) and refund of excess subscription monies, if any, will be made no later than 2 Rabi' al-Thani 1444H (corresponding to 27 October 2022G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xviii) and Section 17 (*Subscription Terms and Conditions*)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared and paid by the Company starting from the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application for registration and offer of the Shares to the CMA, and an application for listing of the Shares on Tadawul. This Prospectus has been approved and all required documents have been submitted to the relevant authorities. All requirements have been met and all relevant regulatory and corporate approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, see "**Key Dates and Subscription Procedures**" on page (xviii)). Saudi natural persons, non-Saudi natural persons holding valid residency permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in countries of the GCC, as well as GCC natural persons, will be permitted to trade in the Shares after their trading starts on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules (all as defined in Section 1 (*Definitions and Abbreviations*)). Furthermore, non-GCC natural persons who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to make indirect investments to acquire an economic interest in the Shares by entering into a swap agreement with a capital market institution licensed by the CMA to acquire, hold and trade the Shares on the Exchange on behalf of a Foreign Investor (the "**Capital Market Institution**"). Under such swap agreements, the Capital Market Institutions will be the registered legal owner of such Shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining whether to subscribe for the Offer Shares, the "**Important Notice**" section on page i and Section 2 (*Risk Factors*) of this Prospectus should be considered.

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority in the Kingdom (the "**CMA**") and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Exchange. The Directors, whose names appear on page (vi), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 30 Thul-Qi'dah 1443H (corresponding to 29 June 2022G)


Arabian
Drilling

Arabian Drilling

IMPORTANT NOTICE

This Prospectus contains detailed and accurate information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, which is available at the websites of the Company (www.arabdrill.com), the CMA (www.cma.org.sa), the Exchange (www.saudiexchange.sa), or the Joint Financial Advisors (www.hsbcsaudi.com), (www.alahlicapital.com) and (www.goldmansachs.com/worldwide/saudi-arabia).

With respect to the Offering, HSBC Saudi Arabia, SNB Capital Company and Goldman Sachs Saudi Arabia have been appointed by the Company as joint financial advisors (collectively, the "**Joint Financial Advisors**"), joint bookrunners (collectively, the "**Bookrunners**") and underwriters (collectively, the "**Underwriters**"). HSBC Saudi Arabia and Goldman Sachs Saudi Arabia have been also appointed as joint global co-ordinators (collectively, the "**Joint Global Co-ordinators**"). HSBC Saudi Arabia has also been appointed by the Company as the lead manager (the "**Lead Manager**"), and SNB Capital Company has been also appointed as the local co-ordinator (the "**Local Co-ordinator**"). For further details, see Section 13 (*Underwriting*).

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors (as defined below), whose names appear on page (vi), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they confirm that according to their knowledge and belief, and after undertaking all reasonable enquiries, there are no other facts the omission of which would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Selling Shareholders, the Joint Financial Advisors nor any of the Company's other advisors, whose names appear on pages (ix), (x) and (xi) of this Prospectus (such advisors together with the Joint Financial Advisors, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company, the Selling Shareholders nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, see Section 2 (*Risk Factors*)). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as, or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agents or the Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may be accepted only by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for further details, see Section 1 (*Definitions and Abbreviations*)).

Tranche (B): Individual Investors comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom of Saudi Arabia (the "**Kingdom**") or natural persons of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investors, foreign strategic investors and/or certain other Foreign Investors through swap agreements outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. The Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Offer Shares being offered through this Prospectus may not be offered or sold within the United States and may be offered and sold only in transactions that are exempt from, or not subject to, registration requirements under the Securities Act and the securities laws of any other jurisdiction other than the Kingdom. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful or prohibited. All recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions. Both eligible Individual Investors and Participating Parties must read this Prospectus in full and seek advice from their attorneys, financial advisors, and any professional advisors regarding statutory, tax, regulatory, and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with that advice derived from their attorneys, accountants, and other advisors regarding all matters related to investment in the Offer Shares. There is no guarantee that any profits will be realised from an investment in the Offer Shares.

MARKET AND INDUSTRY DATA

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, using underlying data from independent third parties. Statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Prospectus are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information in Section 3 (*Market Overview*) is derived from the market study report dated 29 Sha'ban 14431H (corresponding to 1 April 2022G) (the "**Market Study Report**") prepared by Rystad Energy AS (the "**Market Consultant**") exclusively for the Company. The Market Consultant is an independent third-party provider of strategic consulting services for the energy industry. For further details about the Market Consultant, visit its website (www.rystadenergy.com).

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

The Market Consultant does not, nor does any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or the Subsidiary. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent for the use of its name and logo, and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The information provided in Section 3 (*Market Overview*) by the Market Consultant is based on primary and secondary information available internally or in the public domain and should be read in conjunction with the same. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to change due to possible changes in the business and industry climate. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses, and actual results and future events could differ materially from such estimates, predictions, or such statements.

In its role as market consultant, the Market Consultant is only providing market research and the information provided by the Market Consultant from public data sources is not to be construed as investment, legal or any other type of advice about the Company.

Whilst the Directors believe that the information and data from third party sources contained in this Prospectus, including those derived from public sources or provided by the Market Consultant, are reliable, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

FINANCIAL AND STATISTICAL INFORMATION

The Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G have been prepared in compliance with International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("**SOCPA**"), and have been audited by PricewaterhouseCoopers Certified Public Accountants (the "**Auditors**"), as stated in the Auditors' reports on the audited consolidated financial statements for each of the financial years ended 31 December 2019G, 2020G and 2021G. The financial information for the financial years ended 31 December 2019G, 2020G and 2021G have, unless otherwise indicated, been derived without material adjustment from the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. Certain comparative financial information for the financial year ended 31 December 2019G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2020G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2019G. Certain comparative financial information for the financial year ended 31 December 2020G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2021G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2020G. There was no impact on profit or loss for the financial years ended 31 December 2019G and 2020G or total equity as a result of such reclassifications. Such statements are contained in Section 19 (*Financial Statements and Auditors' Report*).

The Company prepares its consolidated financial statements in Saudi Arabian Riyals (for more details on the financial information of the Company, see Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*).

The financial and statistical information contained in this Prospectus is rounded off to the nearest integer. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus and the financial statements and certain financial amounts presented in this Prospectus may not correspond to the financial information included elsewhere in this Prospectus or may not add up. In cases where amounts in this Prospectus are converted from USD to Saudi Arabian Riyals, the exchange rate shall be SAR 3.75 for each USD.

Unless otherwise expressly provided in this Prospectus, any reference to "year" or "years" include reference to Gregorian years.

NON-IFRS FINANCIAL MEASURES

This Prospectus includes some non-IFRS financial measures that the Company uses to analyse its business and financial position. The following table summarizes the definition, calculation method and reasons for inclusion of these measures.

Table (1): Non-IFRS Financial Measures

Non-IFRS Financial Measure	Definition and Calculation Method	Reasons for Inclusion of the Financial Measure
Gross Profit Margin (%)	Calculated as a ratio of (i) gross profit (revenue less cost of revenue) to (ii) revenue.	Financial performance measure
Operating Profit Margin (%)	Calculated as a ratio of (i) gross operating profit (gross profit less impairment of financial assets, general and administrative expenses, and other operating income or increase in other operating expenses) to (ii) revenue.	Financial performance measure
EBITDA	Calculated as net income excluding finance costs, finance income, income tax, and depreciation and amortization expense.	Financial performance measure
Adjusted EBITDA	Calculated as net income excluding finance costs, finance income, income tax, and depreciation and amortization expense. EBITDA is then adjusted by excluding impairment losses which were only recorded in 2019G.	Financial performance measure
Net Profit Margin (%)	Calculated as a ratio of (i) gross profit for the year (operating profit less finance costs, zakat expense, and income tax plus finance income) to (ii) revenue.	Financial performance measure
Return on Assets (%)	Calculated as a ratio of (i) gross profit for the year to (ii) total assets.	Activity measurement ratios
Return on Equity (%)	Calculated as a ratio of (i) gross profit for the year to (ii) total equity.	Activity measurement ratios
Current Assets to Current Liabilities	Calculated as a ratio of (i) current assets to (ii) current liabilities.	Financial liquidity measure
Liabilities to Equity	Calculated as a ratio of (i) total liabilities to (ii) total equity	Solvency measure
Debt to Equity	Calculated as a ratio of (i) total debt (current portion of Murabaha borrowings plus the non-current portion of Murabaha borrowings) to (ii) total equity.	Solvency measure

Source: The Company.

Non-IFRS financial measures have been included in this Prospectus to facilitate a better understanding of the Company's historic trends related to its operations and financial position. The Company uses non-IFRS financial measures as supplementary information to its IFRS based operating performance or financial position. The non-IFRS financial measures are not defined by, or presented in accordance with, IFRS. The non-IFRS financial measures are not measurements of the Company's operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The non-IFRS financial measures relate to the reporting periods described in this Prospectus and are not intended to predict future results. In addition, other companies, including those in the Company's industry, may calculate similarly titled non-IFRS financial measures differently from the Company. Because companies do not necessarily calculate these non-IFRS financial measures in the same manner, the Company's presentation of such non-IFRS financial measures may not be comparable to other similarly titled non-IFRS financial measures used by other companies.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge, that the statements were prepared with the necessary due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words and terms, such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the views of the Company as of the date of this Prospectus with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for more details, see Section 2 (*Risk Factors*)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described as estimated, believed, expected or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware: (i) that there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, prospective investors should consider and review all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, see Section 1 (*Definitions and Abbreviations*).

CORPORATE DIRECTORY

Company's Board of Directors

The Company is managed by a Board of Directors comprised of nine members in accordance with the Company's Bylaws, as is set out in the following table:

Table (2): Company's Board of Directors

Name	Position	Nationality	Status and Independence	Direct Share Ownership		Indirect Share Ownership [1]		Date of Appointment [2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Khalid Mohammed Sedig Nouh [3]	Chairman	Saudi	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Tarek Rizk [3][4]	Vice Chairman	Canadian	Non-Executive / Non-Independent	-	-	0.00000000000021%	0.00000000000014%	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Waleed Abdullah Abdulaziz Al-Mulhim	Director	Saudi	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Vijay Kasibhatla [5]	Director	British	Non-Executive / Non-Independent	-	-	0.00000000000041%	0.0000000000023%	21 Thul-Qi'dah 1443H (corresponding to 20 June 2022G)
Samir Seth	Director	American	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Jesus Lamas [6]	Director	Spanish	Non-Executive / Non-Independent	-	-	0.00000000000019%	0.00000000000012%	26 Rajab 1443H (corresponding to 27 February 2022G)
Khlood Abdulaziz Mohammed Aldukheil	Director	Saudi	Non- Executive / Independent	-	-	-	-	26 Rajab 1443H (corresponding to 27 February 2022G)
Vacant [7]	Director	-	Non-Executive / Independent	-	-	-	-	-
Vacant [7]	Director	-	Non-Executive / Independent	-	-	-	-	-

Source: The Company.

(1) For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company, see Section 4.10 (*Current Shareholding Structure*).

(2) Dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

(3) Khalid Mohammed Sedig Nouh and Tarek Rizk were appointed as Chairman and Vice Chairman of the Board of Directors, respectively, pursuant to a resolution by the Board of Directors dated 17 Rabi' al-Thani 1443H (corresponding to 22 November 2021G).

(4) As of the date of this Prospectus, Tarek Rizk owns 24,216 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. which is an indirect shareholder of the Company, through its indirect ownership of 48.99 per cent. of the Company's Shares. As a result, Tarek Rizk indirectly owns 0.000017 Shares in the Company.

(5) As of the date of this Prospectus, Vijay Kasibhatla owns 46,529 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. and which is an indirect shareholder of the Company, through its indirect ownership of 48.99 per cent. of the Company's Shares. As a result, Vijay Kasibhatla indirectly owns 0.000033 Shares in the Company.

(6) As of the date of this Prospectus, Jesus Lama Rios owns 21,218 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. which is an indirect shareholder of the Company, through its indirect ownership of 48.99 per cent. of the Company's Shares. As a result, Jesus Lama Rios indirectly owns 0.000015 Shares in the Company.

(7) As of the date of this Prospectus, the Board of Directors has two vacant positions to which Directors will be elected after Admission. For more information about the undertakings regarding the appointment of Directors in the vacant positions on the Board of Directors, see Section 5.6 (*Corporate Governance*) and Section 15 (*Undertakings Following Admission*).

The Secretary of the Board of Directors is Hekmat Redha Al-Muzel, who was appointed pursuant to a resolution by the Board of Directors dated 14 Sha'ban 1443H (corresponding to 17 March 2022G) (see Section 5.2.4.8 (*Hekmat Redha Al-Muzel, Secretary of the Board of Directors*) for his biography).

COMPANY'S REGISTERED ADDRESS, REPRESENTATIVES, BOARD SECRETARY

Company

Arabian Drilling Company
Aljawharah District
P.O. Box: 4110
Al Khobar 31952
Kingdom of Saudi Arabia
Tel: + 966 (13) 887 2020
Fax: + 966 (13) 882 6588
Website: www.arabdrill.com
E-mail: info@arabdrill.com

Company's Representatives

Khalid Mohammed Sedig Nouh
Chairman
Arabian Drilling Company
Aljawharah District
P.O. Box: 4110
Al Khobar 31952
Kingdom of Saudi Arabia
Tel: + 966 (13) 829 7003
Fax: + 966 (13) 882 6588
Website: www.arabdrill.com
E-mail: Khalid.Nouh@arabdrill.com

Ghassan Abdulaziz Sulaiman Mirdad
Chief Executive Officer
Arabian Drilling Company
Aljawharah District
P.O. Box: 4110
Al Khobar 31952
Kingdom of Saudi Arabia
Tel: + 966 (13) 829 7001
Fax: + 966 (13) 882 6588
Website: www.arabdrill.com
E-mail: gmirdad@arabdrill.com

Secretary of the Board of Directors

Hekmat Redha Al-Muzel
Secretary of the Board of Directors
Arabian Drilling Company
Aljawharah District
P.O. Box: 4110
Al Khobar 31952
Kingdom of Saudi Arabia
Tel: + 966 (13) 829 7006
Fax: + 966 (13) 882 6588
Website: www.arabdrill.com
E-mail: hal-muzel@arabdrill.com

Stock Exchange
Saudi Exchange Tawuniya Towers King Fahad Road – Olaya 6798 Unit No. 15 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: +966 (11) 920001919 Fax: +966 (11) 218 9133 Website: www.saudiexchange.sa E-mail: csc@saudiexchange.sa

Share Registrar
Securities Depository Center Company (Edaa) Tawuniya Towers King Fahad Road – Olaya 6897 Unit No. 11 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: +966 92 002 6000 Website: www.edaa.com.sa E-mail: cc@edaa.com.sa

ADVISORS

Joint Financial Advisor, Bookrunner, Joint Global Co-ordinator and Underwriter

HSBC Saudi Arabia
HSBC Building 7267 Olaya Street, Al-Murooj
P.O. Box 2255, Riyadh 12283
Kingdom of Saudi Arabia
Tel: + 966 (92) 000 5920
Fax: +966 (11) 299 2385
Website: www.hsbcsaudi.com
E-mail: ArabianDrillingIPO@hsbcsa.com

Joint Financial Advisor, Bookrunner, Local Co-ordinator and Underwriter

SNB Capital Company
SNB Regional Building.
King Saud Road
P. O. Box 2216, Riyadh 11495
Kingdom of Saudi Arabia
Tel: + 966 (11) 874 7106
Fax: + 966 (11) 406 0052
Website: www.alahlicapital.com
E-mail: SNBC.cm@alahlicapital.com

Joint Financial Advisor, Bookrunner, Joint Global Co-ordinator and Underwriter

Goldman Sachs Saudi Arabia
Kingdom Tower, 25th floor
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P. O. Box 52969, Riyadh 11573
Kingdom of Saudi Arabia
Tel: + 966 (11) 279 4800
Fax: + 966 (11) 279 4807
Website: www.goldmansachs.com/worldwide/saudi-arabia
E-mail: gssainfo@gs.com

Lead Manager

HSBC Saudi Arabia
HSBC Building 7267 Olaya Street, Al-Murooj
P.O. Box 2255, Riyadh 12283
Kingdom of Saudi Arabia
Tel: + 966 (92) 000 5920
Fax: +966 (11) 299 2385
Website: www.hsbcsaudi.com
E-mail: ArabianDrillingIPO@hsbcsa.com

Saudi Legal Advisor to the Company

Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation
Sky Towers, North Tower, 2nd Floor
8899, King Fahd Road, Al Olaya
P.O. Box 230020
Riyadh 11321
Kingdom of Saudi Arabia
Tel: +966 (11) 272 0003
Fax: +966 (11) 237 0005
Website: www.statlawksa.com
E-mail: capitalmarkets@statlawksa.com

Legal Advisor to the Company for the Offering outside the Kingdom

Sullivan & Cromwell LLP
One New Fetter Lane
London EC4A 1AN
United Kingdom
Tel: +44 20 7959 8900
Fax: +44 20 7959 8950
Website: www.sullcrom.com
E-mail: scprojectdammam@sullcrom.com

Legal Advisor to the Financial Advisors, Bookrunners, Joint Global Co-ordinators, Lead Manager, Local Co-ordinator and Underwriters

Abdul Aziz AlAjlan & Co., Attorneys and Legal Advisors
Olayan Building, Tower 2, Floor 3 Al-Ahsa Street, Al-Malaz
P.O Box 69103
Riyadh 11547
Kingdom of Saudi Arabia
Tel: +966 (11) 265 8900
Fax: +966 (11) 265 8999
Website: www.legal-advisors.com
E-mail: riy-projectdammam@legal-advisors.com

Legal Advisor to Financial Advisors, Bookrunners, Joint Global Co-ordinators, Lead Manager, Local Co-ordinator and Underwriters for the Offering outside the Kingdom

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom
Tel: +44 20 7919 1000
Fax: +44 20 7919 1999
Website: www.bakermckenzie.com
E-mail: legal.advisors@legal-advisors.com

Financial Due Diligence Advisor	
Ernst & Young & Co. (Certified Public Accountants) Al Faisaliah Office Tower, 6th floor King Fahad Road P.O Box 2732 Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 (11) 215 9898 Fax: +966 (11) 273 4730 Website: www.ey.com E-mail: riyadh@sa.ey.com	
Market Consultant	
Rystad Energy AS Fjordalleen 16 0250 Oslo Norway Tel: +47 24 00 42 0 Website: www.rystadenergy.com E-mail: support@rystadenergy.com	
Auditors	
PricewaterhouseCoopers Certified Public Accountants Al Hugayet Tower P.O. Box 467 Dhahran Airport 31932 Kingdom of Saudi Arabia Tel: +966 (13) 849 6311 Fax: +966 (13) 849 6281 Website: www.pwc.com E-mail: mer_project_dammam@pwc.com	

Note: All the above-mentioned Advisors and Auditors have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or any of their employees' relatives have any shareholding or interest of any kind in the Company or the Subsidiary as of the date of this Prospectus which would impair their independence.

RECEIVING AGENTS

The Saudi National Bank
King Fahd Road - Al-Aqiq District - King Abdullah Financial District
P.O. Box: 3208 Unit No.: 778
Kingdom
Tel: +966 (92) 0001000
Fax: +966 (11) 4060052
Website: www.alahli.com
E-mail: contactus@alahli.com

Al-Rajhi Bank
King Fahd Road - Al-Morouj District - Al-Rajhi Bank Tower
P.O. Box: 28, Riyadh 11411
Kingdom
Tel: +966 11 2116000
Fax: +966 11 4600705
Website: www.alrajhibank.com.sa
E-mail: contactcentre1@alrajhibank.com.sa

Riyad Bank
Eastern Ring Road
P.O. Box: 22622
Riyadh 11614
Kingdom
Tel: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
E-mail: customercare@riyadbank.com

OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "**Important Notice**" section on page (i) and Section 2 (*Risk Factors*) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	Arabian Drilling Company is a Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 and with Commercial Registration No. 2051026089, dated 3 Safar 1423H (corresponding to 16 April 2002G) issued in Al Khobar, Kingdom of Saudi Arabia. The Company's head office is located in Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia. As of the date of this Prospectus, the share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The Company was established as a joint venture on 25 Thul-Qi'dah 1383H (corresponding to 7 April 1964G) and incorporated as a closed joint stock company on 26 Muharram 1389H (corresponding to 13 April 1969G) under the name "Arabian Drilling Company" and registered under Commercial Registration No. 2050002237, dated 26 Muharram 1389H (corresponding to 13 April 1969G), with a capital of two million Saudi Arabian Riyals (SAR 2,000,000), divided into twenty thousand (20,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, whereby 51.0 per cent. of such shares were held by the General Petroleum and Mineral Organization and 49.0 per cent. of the shares were held jointly by Société de Forages Pétroliers Languedocienne Forenco and Société Forex. Subsequently, the capital of the Company was increased from two million Saudi Arabian Riyals (SAR 2,000,000) to twenty million Saudi Arabian Riyals (SAR 20,000,000), with the respective shareholders maintaining the same percentage ownership interest. As a result of several transactions, including acquisitions and mergers, the 49.0 per cent. of the shares in the Company owned by Société de Forages Pétroliers Languedocienne Forenco and Société Forex were gradually transferred to entities within the Schlumberger Group, through several transactions, which transfers were completed in 1972G. Services Pétroliers Schlumberger S.A. became the holder of record of 49.0 per cent. shares in the Company on 29 Thul-Qi'dah 1410H (corresponding to 23 June 1990G) following a merger of two predecessor entities from the Schlumberger Group. Pursuant to the general assembly resolution dated 30 Safar 1420H (corresponding to 14 June 1999G), the Company was converted from a closed joint stock company to a limited liability company in accordance with the Royal Order No. 7/B/1058 issued on 19 Muharram 1420H (corresponding to 5 May 1999G) with a capital of twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. On 2 Sha'ban 1424H (corresponding to 28 September 2003G) the Chairman of General Petroleum and Mineral Organization issued a letter No. 1000/A to transfer its full one hundred and two thousand (102,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, amounting to 51.0 per cent. of the Company's capital to The Industrialization & Energy Services Company (TAQA). On 15 Rabi' al-Awwal 1431H (corresponding to 31 March 2010G), the capital of the Company was increased from twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share to twenty-two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two hundred and twenty-five thousand eight hundred (225,800) shares, with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, through capitalisation of two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 2,580,000) from the shareholders' current account. As a result, the total shares of the Company held by The Industrialization & Energy Services Company (TAQA) were in the amount of one hundred fifteen thousand one hundred and fifty-eight shares (115,158) amounting to 51.0 per cent. of the Company's capital, and the total shares of the Company held by Services Pétroliers Schlumberger S.A. were in the amount of one hundred and ten thousand six hundred and forty-two (110,642) shares amounting to 49.0 per cent. of the Company's capital. On 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), the Company was converted from a limited liability company to a closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 under the name "Arabian Drilling Company" with a capital of twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. Pursuant to the shareholders' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), the Company's capital increased from twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through capitalisation of an amount of six hundred seventy nine million nine hundred ninety nine thousand and two hundred Saudi Arabian Riyals (679,999,200) from the retained earnings account and ninety seven million four hundred twenty and eighty hundred Saudi Arabian Riyals (SAR 97,420,800) from the additional paid-up capital. Pursuant to the shareholders' resolution dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), it was agreed that the Company's capital would be increased from eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to eight hundred ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and offering of such newly issued nine million (9,000,000) Shares, (representing 10.11 per cent. of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (*Evolution of Capital*).

Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: • drilling of oil fields; • drilling of natural gas fields; • services related to oil extraction (except surveying services); • services related to natural gas extraction (except surveying services); • test drilling of mineral explorations and precious metals; • drilling of tubular water wells; and • drilling of manual water wells. In accordance with the main and branch Commercial Registrations, the Company's activities consist of the following: • drilling of oil fields; • drilling of natural gas fields; • services related to oil extraction except surveying services; • services related to natural gas extraction except surveying services; • test drilling of mineral explorations and precious metals; • drilling of tubular water wells; and • drilling of manual water wells. As of the date of this Prospectus, the Group's core activities consist of the following key segments (for further details, see Section 4.5 (*Overview of the Group's Business*): • onshore segment, which includes provision of drilling and related services through onshore rigs. Onshore drilling is a mechanical process where a well is drilled on land through underlying bedrock utilising a stationary land rig to explore for and extract oil or natural gas operating in the Kingdom. The Group's onshore fleet ranges from medium to ultra-heavy rigs, capable of handling complicated horizontal drilling operations and working in harsh environments (such as in the Middle East). As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services; and • offshore segment, which includes provision of drilling and related services through offshore rigs. The Group's offshore drilling services include ultra-heavy-duty jack-up rigs outfitted with high specification equipment, capable of drilling in water depth up to 375 feet. In the offshore segment, the Group mainly operates on the shores off the Eastern coast of the Kingdom and the Saudi Arabia-Kuwait Neutral Zone. The Group also operates a self-propelled MPSV, providing well intervention and well testing services for its customers. As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services.
Substantial Shareholders	The following table sets out the names, as well as pre-Offering and post-Offering ownership percentages, of Substantial Shareholders, reflecting also the New Shares post-Offering:

Table (3): Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A.	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Total	80,000,000	100.0%	800,000,000	62,300,000	70.0%	623,000,000

Source: The Company.

Company's Share Capital (as of the date of this Prospectus)	The Company's share capital prior to the Offering is eight hundred million Saudi Arabian Riyals (SAR 800,000,000).
The Company's Capital (after the capital increase)	Eight hundred ninety million Saudi Arabian Riyals (SAR 890,000,000).
Total Number of Issued Shares (as of the date of this Prospectus)	The number of the Company's shares before the Offering is eighty million (80,000,000) fully paid Shares.
Total Number of Issued Shares (after the capital increase)	Eighty-nine million (89,000,000) Shares.
Nominal Value per Share	SAR 10 per Share.

Offering	The initial public offering of twenty-six million seven hundred thousand (26,700,000) Shares consisting of: (i) the sale of seventeen million seven hundred thousand (17,700,000) existing Shares (the "**Sale Shares**"); and (ii) the issue of nine million (9,000,000) new Shares (the "**New Shares**", and collectively with the Sale Shares, the "**Offer Shares**"). The Offer Price will be one hundred Saudi Arabian Riyals (SAR 100) per Offer Share, with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. On a post-Offering basis, the Sale Shares and the New Shares will, on completion of the Offering, represent 19.89 per cent. and 10.11 per cent. of the issued share capital of the Company, respectively, which, in aggregate, represent 30.0 per cent. of the issued share capital of the Company.
Total Number of Offer Shares	Twenty-six million seven hundred thousand (26,700,000) Shares.
Percentage of Offer Shares to the Total Number of Issued Shares	The Offer Shares represent 30.0 per cent. of the Company's share capital, following the capital increase (which represents 33.38 per cent. of the Company's capital prior to the capital increase).
Offer Price	SAR 100 per Offer Share.
Total Value of Offer Shares	SAR 2,670,000,000.
Use of Proceeds	The Net Offering Proceeds amounting to approximately SAR 2,593,000,000 (after deducting the Offering expenses estimated at SAR 77,000,000), will be distributed as follows: (i) one billion, seven hundred and eighteen million, nine hundred and fifty five thousand and fifty six Saudi Riyals (SAR 1,718,955,056) will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Sale Shares being sold in the Offering; and (ii) eight hundred and seventy four million, forty four thousand, nine hundred and forty four Saudi Riyals (SAR 874,044,944) will be distributed to the Company for the general objectives of the Company (for further details, see Section 8 (*Use of Proceeds*)).
Total Number of Shares Underwritten	Twenty-six million seven hundred thousand (26,700,000) Shares.
Total Offering Amount Underwritten	SAR 2,670,000,000.
Categories of Targeted Investors	Subscription to the Offer Shares is restricted to two groups of Investors, namely: • **Tranche (A) Participating Parties:** This tranche includes parties entitled to participate in the book-building process in accordance with the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for more details, see Section 1 (*Definitions and Abbreviations*)); and • **Tranche (B) Individual Investors:** This tranche includes Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
The Total Number of Shares Offered for Each Category of Targeted Investors	
The Number of Shares Offered for the Participating Parties	Twenty-six million seven hundred thousand (26,700,000) Shares, representing 100.0 per cent. of the Offer Shares. If there is sufficient demand from Individual Investors, and the Participating Entities subscribe to all the Offer Shares allocated to them, the Bookrunners have the right to reduce the number of Shares allocated to the Participating Entities to twenty-four million thirty thousand (24,030,000) Offer Shares, representing 90.0 per cent. of the Offer Shares.
Number of Offer Shares Available to Individual Investors	A maximum of two million six hundred and seventy thousand (2,670,000) Offer Shares, representing 10.0 per cent. of the Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Parties	Participating Parties as identified in Section 1 (*Definitions and Abbreviations*) may apply for participation in the book-building process by filling out a Bidding Participation Application that will be provided by the Bookrunners for the Participating Entities during the book-building process period. After provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunners which they must fill out in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*).
Subscription Method for Individual Investors	Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). Individual Investors can also subscribe through the Internet, telephone banking, automated teller machines ("**ATMs**"), any other electronic channels offered by the Receiving Agents that offer any or all such services to its customers, provided that: (i) the Individual Investor shall have a bank account at a Receiving Agent which offers such services; (ii) there should have been no changes in the personal information or data of the Individual Investor since his subscription in a recent initial public offering; and (iii) Individual Investors who are not Saudi or GCC natural persons must have an account at one of the Capital Market Institutions which offer such services.

Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Participating Entities	One hundred thousand (100,000) Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	10 Offer Shares.
Minimum Subscription Amount for Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Participating Entities	SAR 10,000,000.
Minimum Subscription Amount for Individual Investors	SAR 1,000.
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Participating Entities	Four million, four hundred and forty-nine thousand, nine hundred and ninety-nine (4,449,999) Offer Shares and, in relation to public funds only, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Offer Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Participating Entities	SAR 444,999,900.
Maximum Subscription Amount for Individual Investors	SAR 25,000,000.
Allocation and Refund of Excess Subscription Monies Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Participating Entities	The final allocation of the Offer Shares to Participating Entities shall be made through the Bookrunners after the completion of the Individual Investors' subscription process as the Bookrunners deem appropriate in coordination with the Company, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. The number of Offer Shares to be provisionally allocated to Participating Entities is twenty-six million seven hundred thousand (26,700,000) Shares, representing 100.0 per cent. of the Offer Shares. If there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunners shall have the right to reduce the number of Offer Shares allocated to Participating Entities to twenty-four million thirty thousand (24,030,000) Offer Shares as a minimum, representing 90.0 per cent. of the Offer Shares.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G). The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares, with remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. If the number of Individual Investors exceeds two hundred and sixty-seven thousand (267,000) Individual Investors, the Company will not guarantee the minimum allocation of ten (10) Offer Shares for each Individual Investor. In this case, the Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without withholding any charge or commission by the Lead Manager or the Receiving Agents, as applicable. Announcement of the final allocation will be made no later than 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G). For further details, see "**Key Dates and Subscription Procedures**" on page (xviii) and Section 17 (*Subscription Terms and Conditions*).
Offering Period for Individual Investors	The Offering will commence on 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G) and will remain open for a period of two (2) days up to and including the Offering closing date which is 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G). For further details, see "**Key Dates and Subscription Procedures**" on page (xviii).
Entitlement to Dividends	The Offer Shares will entitle their holders to receive any dividends declared and paid by the Company starting from the date of this Prospectus and for subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another person, but not a Director or employee of the Company, to attend the General Assembly meetings (for further details, see Section 12.15 (*Summary of Bylaws*) and Section 12.16 (*Share Description*)).

Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. They may not dispose of any of their Shares during such period. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares (for further details regarding Substantial Shareholders, see Table 3 (Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering) setting out the names as well as pre-Offering and post-Offering ownership percentages of Substantial Shareholders, reflecting also the New Shares post-Offering.
Listing of Shares	Prior to the Offering, the Shares have not been listed in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company has also submitted an application to the Exchange for listing its Shares on the Exchange in accordance with the Listing Rules. All the relevant approvals required to conduct the Offering have been granted. All supporting documents requested by CMA and Tadawul have been met. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares (for further details, see "**Key Dates and Subscription Procedures**" on page (xviii)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorised into: (i) risks related to the activities and operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (*Risk Factors*) and should be considered carefully prior to any investment decision being made in relation to the Offer Shares.
Offering Expenses	The expenses and costs associated with the Offering are estimated at around SAR 77,000,000. These expenses and costs will be deducted from the Offering Proceeds and include the fees of the Joint Financial Advisors, the Joint Global Co-ordinators, the Lead Manager, the Local Co-ordinator, the Bookrunners, the Underwriters, the Legal Advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering Expenses will be apportioned to the Selling Shareholders and the Company on a pro rata basis.
Underwriters	**HSBC Saudi Arabia** HSBC Building 7267 Olaya Street, Al-Murooj P.O. Box 2255, Riyadh 12283 Kingdom of Saudi Arabia Tel: + 966 (92) 000 5920 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com E-mail: ArabianDrillingIPO@hsbcsa.com
	SNB Capital Company King Saud Road P.O. Box 2216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 (11) 874 7106 Fax: +966 (11) 406 0052 Website: www.alahlicapital.com E-mail: snbc.cm@alahlicapital.com
	Goldman Sachs Saudi Arabia 25th floor, Kingdom Tower, King Fahd Road Riyadh 11573 Kingdom of Saudi Arabia Tel: + 966 (11) 279 4800 Fax: +966 (11) 279 4807 Website: www.goldmansachs.com/worldwide/saudi-arabia E-mail: gssainfo@gs.com

Note: The "**Important Notice**" section on page (i) and Section 2 (*Risk Factors*) should be read thoroughly prior to an investment decision being made with respect to the Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (4): Expected Offering Timetable

Expected Offering Timetable	Date
Bidding and Book-Building Period for Participating Entities	A period of eight (8) days commencing on Wednesday, 2 Rabi' al-Awwal 1444H (corresponding to 28 September 2022G), until the end of Wednesday, 9 Rabi' al-Awwal 1444H (corresponding to 5 October 2022G).
Subscription Period for Individual Investors	A period of two (2) days commencing on Tuesday, 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G), and ending at 5:00 pm on Wednesday, 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G).
Deadline for Submission of Subscription Application Forms Based on the Number of the Offer Shares Provisionally Allocated for the Participating Entities	Monday, 21 Rabi' al-Awwal 1444H (corresponding to 17 October 2022G).
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	Monday, 21 Rabi' al-Awwal 1444H (corresponding to 17 October 2022G).
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Investors	Wednesday, 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G).
Announcement of the Final Allocation of the Offer Shares	On or before Tuesday, 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G).
Refund of Excess Subscription Monies (if any)	On or before Thursday 2 Rabi' al-Thani 1444H (corresponding to 27 October 2022G).
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to start after completion of all the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative and subject to change. Actual dates will be communicated on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisors (www.hsbcsaudi.com), (www.alahlicapital.com) and (www.goldmansachs.com/worldwide/saudi-arabia), and the Company (www.arabdrill.com).

How to Apply for the Offer Shares

Subscription to the Offer Shares is restricted to the following two groups of Investors:

- **Tranche (A):** Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements (for further details, see Section 1 (*Definitions and Abbreviations*) and Section 17 (*Subscription Terms and Conditions*)).
- **Tranche (B):** Individual Investors comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

A- Participating Parties

Participating Parties may apply for participation in the book-building process by filling out the Bidding Participation Application that will be provided by the Bookrunners during the book-building process period and obtain the Subscription Application Forms from the Bookrunners after provisional allocation. The Bookrunners shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the bookbuilding period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunners representing a legally binding agreement between the selling shareholders and the relevant Participating Entity submitting the same.

B- Individual Investors

Subscription Application Forms for Individual Investors will be provided during the Offering Period by the Receiving Agents. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Agents that provide some or all of these channels to Individual Investors, provided that:

- the Individual Investor shall have a bank account at a Receiving Agent which offers such services;
- there should have been no changes in the personal information or data of the Individual Investor since his subscription in a recent initial public offering; and
- the Individual Investors who are not Saudi or GCC natural persons must have an account at one of the Capital Market Institutions which offer such services.

Subscription Application Forms must be filled out by each individual applicant according to the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). An applicant must complete all the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. If the Subscription Application Form is submitted twice, then the second submission shall be considered null and void, and only the first submission shall be considered. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant Subscriber and the Selling Shareholders (for further details, see Section 17 (*Subscription Terms and Conditions*)).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription amount has been debited in the first place, without withholding any charge or commission by the Lead Manager or the Receiving Agents. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, see Section 17 (*Subscription Terms and Conditions*).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "**Important Notice**" section on page (i) and Section 2 (*Risk Factors*) prior to making an investment decision with respect to the Offer Shares.

OVERVIEW OF THE COMPANY

History of the Company

Arabian Drilling Company is a Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 and with Commercial Registration No. 2051026089, dated 3 Safar 1423H (corresponding to 16 April 2002G) issued in Al Khobar, Kingdom of Saudi Arabia. The Company's head office is located in Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia. As of the date of this Prospectus, the share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The Company was established as a joint venture on 25 Thul-Qi'dah 1383H (corresponding to 7 April 1964G) and incorporated as a closed joint stock company on 26 Muharram 1389H (corresponding to 13 April 1969G) under the name "**Arabian Drilling Company**" and registered under Commercial Registration No. 2050002237, dated 26 Muharram 1389H (corresponding to 13 April 1969G), with a capital of two million Saudi Arabian Riyals (SAR 2,000,000), divided into twenty thousand (20,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, whereby 51.0 per cent. of such shares were held by the General Petroleum and Mineral Organization and 49.0 per cent. of the shares were held jointly by Société de Forages Pétroliers Languedocienne Forenco and Société Forex. Subsequently, the capital of the Company was increased from two million Saudi Arabian Riyals (SAR 2,000,000) to twenty million Saudi Arabian Riyals (SAR 20,000,000), with the respective shareholders maintaining the same percentage ownership interest. As a result of several transactions, including acquisitions and mergers, the 49.0 per cent. of the shares in the Company owned by Société de Forages Pétroliers Languedocienne Forenco and Société Forex were gradually transferred to entities within the Schlumberger Group, through several transactions, which transfers were completed in 1972G. Services Pétroliers Schlumberger S.A. became the holder of record of 49.0 per cent. shares in the Company on 29 Thul-Qi'dah 1410H (corresponding to 23 June 1990G) following a merger of two predecessor entities from the Schlumberger Group. Pursuant to the general assembly resolution dated 30 Safar 1420H (corresponding to 14 June 1999G), the Company was converted from a closed joint stock company to a limited liability company in accordance with the Royal Order No. 7/B/1058 issued on 19 Muharram 1420H (corresponding to 5 May 1999G) with a capital of twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. On 2 Sha'ban 1424H (corresponding to 28 September 2003G) the Chairman of General Petroleum and Mineral Organization issued a letter No. 1000/A to transfer its full one hundred and two thousand (102,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, amounting to 51.0 per cent. of the Company's capital to The Industrialization & Energy Services Company (TAQA). On 15 Rabi' al-Awwal 1431H (corresponding to 31 March 2010G), the capital of the Company was increased from twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share to twenty-two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two hundred and twenty-five thousand eight hundred (225,800) shares, with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, through capitalisation of two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 2,580,000) from the shareholders' current account. As a result, the total shares of the Company held by The Industrialization & Energy Services Company (TAQA) were in the amount of one hundred fifteen thousand one hundred and fifty-eight shares (115,158) amounting to 51.0 per cent. of the Company's capital, and the total shares of the Company held by Services Pétroliers Schlumberger S.A. were in the amount of one hundred and ten thousand six hundred and forty-two (110,642) shares amounting to 49.0 per cent. of the Company's capital. On 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), the Company was converted from a limited liability company to a closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 under the name "**Arabian Drilling Company**" with a capital of twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. Pursuant to the shareholders' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), the Company's capital increased from twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through capitalisation of an amount of six hundred seventy nine million nine hundred ninety nine thousand and two hundred Saudi Arabian Riyals (679,999,200) from the retained earnings account and ninety seven million four hundred twenty and eighty hundred Saudi Arabian Riyals (SAR 97,420,800) from the additional paid-up capital. Pursuant to the shareholders' resolution dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), it was agreed that the Company's capital shall be increased from eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to eight hundred ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and offering of such newly issued nine million (9,000,000) Shares, (representing 10.11 per cent. of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (*Evolution of Capital*).

Overview of the Company's Business

As estimated by the Market Consultant, Arabian Drilling Company (the "**Company**", and together with its wholly-owned Saudi Arabian subsidiary, Ofsat Arabia LLC, the "**Group**"), was the largest drilling rig contractor in the Kingdom in terms of its available rig fleet size, with 45 rigs as of the date of this Prospectus in the Kingdom and the Saudi Arabia-Kuwait Neutral Zone (the "**Neutral Zone**") (comprising of 38 onshore and seven offshore rigs (including one multi-purpose service vessel (the "**MPSV**")) and excluding one offshore rig held for sale)). The Group increased its fleet size in the last five years from 35 as of 31 December 2017G to 45 as of 31 December 2021G. In particular, the Group was able to mobilise and operate 16 rigs (both newly acquired rigs and upgraded rigs) within one year of acquisition in 2018G.

As of 31 December 2021G, 37 of the 45 rigs (31 onshore and six offshore) were contracted and utilised, with eight other rigs not in operation (of which three were contracted but temporarily suspended, one was contracted but has yet to commence operations, four were uncontracted and idle). As of the date of this Prospectus, three onshore rigs have resumed drilling operations between January and June 2022G and another offshore rig has resumed drilling operations in April 2022G.

The Group also received notice for resumption of operations for an onshore drilling rig (which is the last rig subject to suspension) and the Company is in the process of reactivating the rig, which is expected to resume operations by the end of September 2022G, thus increasing the contracted and active rig count from 37 rigs to an expected 42 rigs at the end of September 2022G. Out of the remaining three uncontracted and idle rigs, one is under contract negotiations with a new customer and the remaining two would require significant upgrade to be placed with customers. Moreover, as of the date of this Prospectus, the Company has received drilling contract awards for four offshore rigs, of which two have been signed and the remaining two are expected to be signed in the third quarter of 2022G.

As of 31 December 2021G, the total onshore and offshore rig count in the Kingdom and in the Neutral Zone was 261 rigs (comprising 59 offshore (including two in the Neutral Zone) and 202 onshore rigs) according to the Market Study Report, of which the Group had an estimated 19.0 per cent. market share for onshore operations and an estimated 12.0 per cent. market share for offshore operations, representing a combined onshore and offshore market share of 17.0 per cent. For details of the Group's competitors and their respective market shares, see Section 3.2.5 (*Drilling Contractor Landscape in the Kingdom*).

The Group's core activities consist of the following key segments (for further details, see Section 4.5 (*Overview of the Group's Business*):

- onshore segment, which includes provision of drilling and related services through onshore rigs. Onshore drilling is a mechanical process where a well is drilled on land through underlying bedrock utilising a stationary land rig to explore for and extract oil or natural gas operating in the Kingdom. The Group's onshore fleet ranges from medium to ultra-heavy rigs, capable of handling complicated horizontal drilling operations and working in harsh environments (such as in the Middle East). As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services; and
- offshore segment, which includes provision of drilling and related services through offshore rigs. The Group's offshore drilling services include ultra-heavy-duty jack-up rigs outfitted with high specification equipment, capable of drilling in water depth up to 375 feet (115 metres). In the offshore segment, the Group mainly operates on the shores off the Eastern coast of the Kingdom and the Neutral Zone. The Group also operates a self-propelled MPSV, providing well intervention and well testing services for its customers. As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services.

Other non-reportable segment information includes services provided by the Subsidiary mainly related to the logistics services. The Group's total comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G was SAR 225.0 million, SAR 294.4 million and SAR 295.7 million, respectively, and the Group's total revenues were SAR 2.8 billion, SAR 2.5 billion and SAR 2.2 billion, respectively, for the same periods. As of 31 December 2019G, 2020G and 2021G, the Group had assets of SAR 7.3 billion, SAR 6.9 billion and SAR 6.5 billion, and liabilities of SAR 3.7 billion, 3.0 billion and SAR 2.4 billion, respectively. See Section 6.5.1.3 (*Gross Profit*) for more detailed discussions regarding underlying profitability of the Group.

The Group primarily operates in the Kingdom and the Neutral Zone, but has also bid for tenders in Bahrain and submitted bids for tenders in Kuwait. The Market Consultant estimates that the Kingdom produced over 12.0 million barrels of oil equivalent per day in 2021G, representing 8.0 per cent. of global hydrocarbon production volumes. The Kingdom possesses vast resources within well-known and understood reservoirs, which represent the lowest cost source of oil supply globally and the source of oil supply likely to continue in the long term. Estimates indicate that the Kingdom will be capable of economically producing the remaining resources across the largest fields for between 55-80 years, depending on the production area. The Market Consultant forecasts total hydrocarbon production in the Kingdom to grow at a CAGR of 3.0 per cent. from 2021G to 2025G with the total E&P expenditures in the Kingdom on onshore and offshore shelf drilling contractors forecasted to grow at a CAGR of 13.0 per cent. between 2021G to 2025G. The oil production in the Kingdom is also characterised by the lowest upstream emissions intensity globally when comparing with regional level aggregated values. Furthermore, given the low upstream emissions intensity per barrel of oil produced, the enhanced long-term sustainability associated is likely to defer the curtailment of production due to environmental concerns, as opposed to higher intensity barrels facing increasingly greater scrutiny on the global stage.

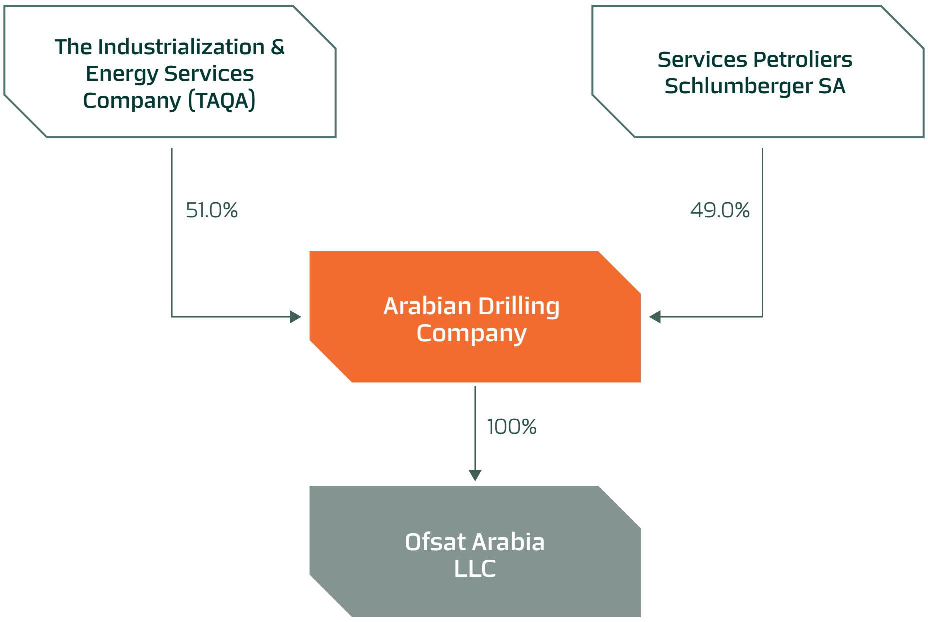
The Group's business model is founded on a lean cost structure characterised by a highly skilled work force, with an in-house maintenance and technical team and a lean organisational structure. As of 31 December 2021G, the Group's customers were Saudi Arabian Oil Company ("**Saudi Aramco**"), Al-Khafji Joint Operations ("**KJO**"), Schlumberger Middle East S.A and Dowell Schlumberger Saudi Arabia Ltd. (collectively, "**Schlumberger**"), which collectively comprised the entirety of the Group's drilling operations at that time. Saudi Aramco was the main customer (with 54.2 per cent. of the Group's total revenue deriving from Saudi Aramco and Schlumberger and KJO comprising 39.1 per cent. and 6.3 per cent., respectively, in the financial year ended 31 December 2021G). In addition, as of the date of this Prospectus, Baker Hughes Saudi Arabia ("**Baker Hughes**") also became a customer of the Group. The Group has established longstanding customer relationships with all of its major customers. Many customers, including Saudi Aramco, require pre-qualification status to tender for contracts and typically award multi-year contracts, which limits the ability of new entrants to compete for work during the contracted period. Through numerous awards, including the In-Kingdom Total Value Add (IKTVA) Excellence Award for several consecutive years, the Group is consistently recognised as one of the top drilling contractors in the Kingdom.

As of 31 December 2021G, the Company employed 3,913 employees (76.2 per cent. of whom were Saudi nationals) and the Group employed in total 4,419 employees (71.7 per cent. of whom were Saudi nationals). For further information on employees, see Section 5.9 (*Employees*).

Ownership Structure

The Company directly owns the Subsidiary. The following chart illustrates the structure of the Group as of the date of this Prospectus:

Exhibit (1): The Structure of the Group as of the Date of this Prospectus



Source: The Company.

The following table sets out the ownership structure of the Company's wholly owned Subsidiary, as well as the Company's shares in it as of the date of this Prospectus:

Table (5): Details of the Ownership Structure of the Company's Wholly Owned Subsidiary as of the Date of this Prospectus

Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
Ofsat Arabia LLC	Saudi Arabia	100.0%	-	-

Source: The Company.

As of the date of this Prospectus, the share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The following table sets out the direct ownership structure of the Company pre- and post-Offering, reflecting also the New Shares post-Offering:

Table (6): Direct Ownership Structure of the Company Pre- and Post- Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A..	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Public	-	-	-	26,700,000	30.0%	267,000,000
Total	**80,000,000**	**100.0%**	**800,000,000**	**89,000,000**	**100.0%**	**890,000,000**

Source: The Company.

Vision, Mission, and Strategy

Vision

Leading sustainable drilling services.

Mission

Evolve our business to add value to our people, customers and shareholders by following the highest safety, technological and operational standards.

Strategy

The following are the four pillars of the Company's competitive strategy:

- **To Grow its Market Share Locally and Regionally -** the Group strives to maintain growth of its market share in the Kingdom and actively participates in tenders. The Group expects the demand for drilling services within the Kingdom to continue to grow over the next five years and would seek to actively participate in such tenders in order to maintain or further grow its current market share within the Kingdom. The Group is also actively exploring other market opportunities, and has submitted tender proposals for projects in Bahrain and Kuwait.
- **To Provide World-class Workforce with Overall High Saudization Levels -** the Group is committed to supporting its employees and local communities (particularly within the Kingdom) through its hiring and development practices. The Group works to hire, train and retain a highly skilled work force based on local talent, which is reflected in its Saudization rate of 76.2 per cent. on the Company's level and 71.7 per cent. on the Group's level.
- **To Promote a Culture of Outstanding Quality of Services and to be Recognised as an Industry Leader in Quality of Services -** the drilling operations of the Group follow the key goal of delivering consistent best-in-class services to its customers, sustainably. The Group works continuously to improve operational performance while drilling and moving the rigs. This is done through a continuous update of the competency of its employees, the highest level of asset integrity, and the implementation of industry-leading management systems. As a result of the Group's initiatives, the Group maintained a high 36-month average REI score of 92.0 per cent. as of 31 December 2021G, with 20 of the Group's rigs ranked "**Superior Performance**".
- **To Optimise Cost within its Operations –** the Group implements efficiency training and measures to streamline operational efforts, reduce costs and support operational excellence. Such cost reduction initiatives mean the Group is able to maintain a lean and adjustable cost structure, allowing it to better withstand and continue operations through any major fluctuations in the business cycle.

Strengths and Competitive Advantages of the Company

The following are the six pillars of the Company's strengths and competitive advantages:

- **Poised to Benefit From its Strong Presence in the Kingdom which Is One of the Most Resilient and Growing Markets For Oil and Gas Activities -** the Group primarily operates in the Kingdom which is a leading oil-producing country characterised by the lowest production costs in the world (as per the Market Study Report) and a predominance of drilling intensive legacy fields, all of which support relatively higher production levels and utilisation rates for oil production and rig operations throughout the oil price cycle in contrast with other geographies and environments where the cost of production is greater and as such is more sensitive to swings in the oil price. Total hydrocarbon production in the Kingdom is expected to grow at a CAGR of 3.0 per cent. from 2021G to 2025G, driven primarily by the Kingdom's objective to increase production capacity to 13 million of standard barrels of crude oil per day by 2027G. E&P drilling CAPEX in the Kingdom is also expected to increase by 13.0 per cent. per annum from 2021G to 2025G to support increased production. All of these factors combined are expected to drive onshore and offshore rig demand in the Kingdom.
- **Kingdom's National Drilling Champion with Best-in-Class Operational Capabilities and Assets in a Market which Has Significant Barriers to Entry -** the Group is the market leader for drilling services in the Kingdom, with an estimated 17.0 per cent. market share of the total rigs available in the country. The Group has an extensive track record of operational excellence, long-standing relationships with well-regarded customers and a deep understanding of market dynamics. The Group has built extensive know-how on the various legal requirements and permissions required for operating in the region. The Group is a well-established player in a market where many customers, including Saudi Aramco, have a comprehensive approach in qualifying new players in order to ensure the highest standards in the world. All of these factors combined create significant barriers to entry for competitors.

- **Outstanding Track Record of Operational Excellence with Strong Positioning in Saudi Aramco's Rig Efficiency Index (REI), Robust Health and Safety Policies and Commitment to Sustainable Practices -** according to Saudi Aramco's REI Performance Report as of 31 December 2021G, the Group had a 36-month average score of 92.0 per cent., split between 101.0 per cent. (i.e., "**Superior Performance**") for its offshore fleet and 91.0 per cent. (i.e., "**High Performance**") for its onshore fleet. The Group has maintained a consistently high REI score above 90.0 per cent., and has therefore been able to benefit from longer term contract extensions (compared with REI benchmark published by Saudi Aramco) and renewals with Saudi Aramco. From health and safety perspectives, the Group exhibits one of the lowest non-productive time in the industry at less than one per cent. in 2020G and 2021G with zero business interruption, delivering tangible value to its customers. The Group's safety record is among the highest in the industry, with the Group's total recordable incident frequency rate at an all-time low at 0.22, and well below the Group's upper limit target of 0.95. Furthermore, the Group is committed to participating in and contributing to the Kingdom's environmental targets. The Group is one of the first drilling contractors in the Kingdom to have launched a programme to reduce its carbon footprint via a number of short term and long-term initiatives. The Group has reported no serious hazardous waste spills last five years. The Group is also committed to enhancing its social impact through numerous initiatives, including, for example, social campaigns for health and safety awareness for its employees, their family members and the public. The Group is also promoting local sourcing by giving priority to local suppliers thus contributing to the growth of the local economy.
- **Solid Financial Profile with Strong Track Record of Resilient Profitability Margins and Solid Balance Sheet -** over the past three years, the Group has achieved attractive EBITDA margins of more than 40.0 per cent. on average, overcoming the adverse macroeconomic conditions, the oil price shock in 2020G and the COVID-19 pandemic during this period. Its business model is based on a lean cost structure characterised by a highly skilled work force, with an in-house maintenance and technical team and a lean organisational structure. Furthermore, the Group has a disciplined CAPEX growth and only acquires new rigs once there are secured contract awards and after ensuring that the project financials meet the required internal return thresholds. All of these factors have resulted in the Company maintaining a strong balance sheet with healthy leverage (Net Debt / EBITDA) levels of 1.1x as of 31 December 2021G.
- **Disciplined Growth Strategy to Increase Cashflows and Deliver Consistent Dividends Resulting in Attractive Shareholder Returns -** in the growing Saudi Arabian drilling market, the Group's plan is to continue solidifying its position as a national drilling champion amongst its drilling peers in the Kingdom. Historically, the Group has been able to increase the number of rigs in a relatively short time period (for example, it added 16 rigs within one year in 2018G). Over the next five years, a ramp up in drilling activity is expected due to Saudi Aramco's publicly stated goal to increase production as well as the development of Jafurah unconventional gas field, as announced by Saudi Aramco in their 2021G Annual Report. Additionally, the Group believes incremental drilling activity for carbon capture storage wells is expected in the Kingdom. The Group has the right technology and capabilities to capture this new growth avenue related to drilling injection wells, deep and shallow observation and pressure relief wells. As part of its growth strategy, the Group is also exploring markets in different geographies in the GCC Region to find opportunities for expansion.
- **Highly Experienced Management Team Backed By its Shareholders that Bring International Expertise and Ensure Regional Interest Alignment -** the Group's senior management team is highly experienced and has in-depth industry knowledge and a deep understanding of the regional market dynamics. Furthermore, as a joint venture between TAQA and SPS, the Group benefits from TAQA's network, capabilities and market depth in the upstream industry and from the Schlumberger Group's operational know-how, innovation and cutting-edge technological solutions in the oilfield services industry. The Group is committed to expanding the Kingdom's industrial base and local manufacturing capabilities in-line with the objectives of the Public Investment Fund, a key shareholder in TAQA.

Market Overview

The information in Section 3 (*Market Overview*) is derived from public sources and the Market Study Report prepared by the Market Consultant exclusively for the Company. The Market Consultant is an independent third-party provider of strategic consulting services for the energy industry. Section 3 (*Market Overview*) contains forward looking views by the Market Consultant derived from its assumptions regarding the anticipated development of the market relevant for the Group. Such assumptions are informed by all information available to the Market Consultant as of the date of this Prospectus. Key sources contributing to the forecasts made by the Market Consultant include Group and Government-level reported economic and field level data, together with proprietary field level forecast models. Key assumptions made by the Market Consultant include anticipated future changes and trends in commodity prices and oil and gas demand.

Due to the timing of the Prospectus, the assumptions upon which the Market Consultant prepared the Market Study Report do not take into account the events that are currently ongoing with regards to the armed conflict between Russia and Ukraine.

Macroeconomic Overview

Historically, global energy demand has been coupled with GDP, increasingly so as economies expand in terms of both economic output and population size. The International Monetary Fund (IMF) World Energy Outlook January 2022G and the Market Consultant's estimations as of the date of this Prospectus forecast global real GDP to grow at a CAGR of 3.5 per cent. from 2021G to 2030G, as such the Market Consultant expects that over the same period demand for oil will grow at a CAGR of 0.6 per cent. and gas at a CAGR of 1.5 per cent.

The IMF expects Emerging and Developing Asian Economies to outperform the global average real GDP growth rates over the 2021G to 2030G period at a CAGR of 5.5 per cent., with associated oil demand expected by the Market Consultant as of the date of this Prospectus to grow at a CAGR of 2.5 per cent. and gas demand at 4.4 per cent. The Emerging and Developing Asian Economies refer to key growth centres, including but not limit to, China, India and the Southeast Asian countries, as per the IMF definition. Between 2009G to 2019G, the IMF observed that the Emerging and Developing Asian Economies' real GDP grew at 5.5 per cent., representing a trend that the IMF expects to continue in line with rising domestic prosperity and a growing middle class.

The historical coupling between real GDP growth and oil demand for developed economies specifically is expected to diminish in strength over the coming decade. Developed economies are expected to increase the overall use of alternative sources of energy, anticipated efficiency increases are expected to stymie the overall growth in energy demand and increased electrification in sectors such as transport is likely to lessen the dependence on oil and the fuels derived. Many developed economies announced net-zero carbon emissions targets enforced through governmental policies which are driving the transition away from the use of hydrocarbons.

However, in the Emerging and Developing Asian Economies, where the IMF expects high levels of GDP growth from 2021G to 2030G at a CAGR 5.5 per cent., increased energy requirements associated with achieving the anticipated GDP growth rates are expected by the Market Consultant as of the date of this Prospectus to result in continual growth in oil demand at a CAGR of 2.5 per cent. from 2021G to 2030G.

As of the date of this Prospectus, the Market Consultant forecasts that Emerging and Developing Asian Economies will outperform global growth in demand for natural gas at a CAGR of 4.4 per cent. from 2021G to 2030G, as both gas-to-power and industrial uses of gas drive growth in real GDP at a CAGR of 5.5 per cent. Historically, natural gas demand in Emerging and Developing Asian Economies grew at a CAGR of 5.8 per cent. from 2010G to 2019G.

The Covid-19 pandemic during 2020G and the restrictions imposed on economies globally resulted in a year-on-year decline in hydrocarbon liquids demand of 8.7 million barrels per day. Liquids refers to crude oil, condensate and natural gas liquids. The Market Consultant observed that as Covid-19 restrictions eased during 2021G, demand for liquids increased as economic activity picked up driving year-on-year growth of 5.6 million barrels per day. Latest forecasts by the Market Consultant as of the date of this Prospectus indicate year-on-year growth of 3.4 million barrels per day of growth for 2022G.

The Group's Business in Context

The Group is exposed exclusively to volumes of supply from the Kingdom, which exhibit superior competitiveness of resources on a global scale. As of the date of this Prospectus, the Market Consultant's analysis of the cost of supply in 2030G indicates that onshore liquids supply in the Kingdom is the most competitive with a volume weighted breakeven oil price of USD 10 per barrel (brent). Offshore supply from the Kingdom boasts similar characteristics and a volume weighted breakeven oil price of USD 12 USD per barrel (brent). Such breakeven oil prices are driven by the vast scale of liquids resources held in well-known reservoirs, the majority of which have been producing for decades and are expected to continue to do so for the remainder of the century. The cost competitiveness of liquids supply in the Kingdom and the Middle East as a whole is expected to result in activity concentrating in the region towards 2030G.

Due to the inherent field-level decline in oil and gas fields over time, it is a significant task for the upstream oil and gas industry to even maintain production levels. The Market Consultant estimates as of the date of this Prospectus that in order to meet global demand levels in 2030G, from 2021G to 2030G, approximately 60 million barrels per day of production declines in existing fields are required to be offset, through drilling in new fields, greenfield activity, and through drilling in existing fields, brownfield activity. Over the period from 2021G to 2030G, brownfield drilling is dominated by the MENA region, representing over 50.0 per cent. of the incremental additional brownfield volumes expected to be drilled out by 2030G globally. The Kingdom is estimated to contribute 17.0 per cent. of the incremental additional volumes produced from brownfield drilling on a global level by 2030G.

The Group is one of the largest drilling contractors in the MENA region with activities across the hydrocarbon Exploration & Production (E&P) value chain. The production phase of the E&P value chain is where brownfield drilling takes place, representing the period of highest expenditure levels for drilling contractors and where the Group derives the largest amount of revenue.

Through operating onshore rigs and offshore rigs, the Group's offering extends across both onshore and offshore shallow water operational environments. In the Kingdom, E&P expenditure on onshore and offshore shallow water drilling contractors in 2021G is estimated by the Market Consultant to be SAR 11.3 billion or 8.0 per cent. of the global onshore and offshore shallow water drilling contractor expenditure.

The impact of Covid-19 resulted in a large number of contract suspensions in the Kingdom resulting in reduced utilisation levels throughout 2020G-2021G. However, provided Covid-19 related disruptions ease, as of the date of this Prospectus, the Market Consultant expects that the majority of the rigs under suspension will resume operation within a relatively short time period resulting in increased utilisation levels.

In 2021G, the Market Consultant estimates that the Group was the largest drilling rig contractor in terms of fleet size with an estimated 17.0 per cent. market share of the rigs and other offshore units available in the Kingdom, based on 45 units as of 31 December 2021G out of a total of 261 units as of 31 December 2021G. This rig count-based market share for the Group includes both onshore rigs, offshore rigs and one MPSV. The count excludes coiled tubing and snubbing units. The rig count includes suspended rigs.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATORS

The financial information for the financial years ended 31 December 2019G, 2020G and 2021G has, unless otherwise indicated, been derived without material adjustment from the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. Certain comparative financial information for the financial year ended 31 December 2019G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2020G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2019G. Certain comparative financial information for the financial year ended 31 December 2020G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2021G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2020G. There was no impact on profit or loss for the financial years ended 31 December 2019G and 2020G or total equity as a result of such reclassifications, which has been explained in Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) where relevant. The Group's selected financial information and key performance indicators set out below should be read together with the information provided in Section 2 (*Risk Factors*) and Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) Sections and the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G as included in Section 19 (*Financial Statements and Auditors' Report*), as well as the financial information set out in any other part of this Prospectus.

Table (7): Summary of the Group's Financial Information for the Financial Years Ended 31 December 2019G, 2020G and 2021G

Currency: SAR'000	For the Financial Year Ended 31 December		
	2019G	2020G	2021G
Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenues	2,814,276	2,532,567	2,198,969
Cost of revenue	(2,256,105)	(2,009,469)	(1,730,058)
Impairment losses	(19,270)	-	-
Gross profit	**538,900**	**523,098**	**468,910**
Impairment losses on financial assets	(17,145)	(551)	-
General and administrative expenses	(139,122)	(123,800)	(105,357)
Other operating gain/(loss), net	(2,425)	1,143	(164)
Operating profit	**380,208**	**399,889**	**363,389**
Financial costs, net	(100,825)	(61,790)	(36,643)
Profit before Zakat and income tax	**279,383**	**338,099**	**326,747**
Zakat Expense	(8,566)	(10,478)	(20,626)
Income tax expense	(40,397)	(33,547)	(32,538)
Net Profit / (loss) for the year	**230,420**	**294,074**	**273,584**
Other comprehensive income / (loss)	(5,398)	279	22,128
Total comprehensive income	**225,022**	**294,352**	**295,711**

Currency: SAR'000	As of 31 December		
	2019G	2020G	2021G
Summary statement of financial position			
Total non-current assets	5,846,512	5,583,072	5,268,578
Total current assets	1,480,060	1,358,937 (1)	1,275,363
Total assets	**7,326,571**	**6,942,009 (1)**	**6,543,941**
Total non-current liabilities	2,209,459	1,878,063	1,319,556
Total current liabilities	1,490,414	1,151,780 (1)	1,032,617
Total liabilities	**3,699,872**	**3,029,843 (1)**	**2,352,173**
Total equity	3,626,699	3,912,167	4,191,769
Total liabilities and equity	**7,326,571**	**6,942,009 (1)**	**6,543,941**
	For the Financial Year Ended 31 December		
	2019G	2020G	2021G
Summary of consolidated statement of cash flows			
Net cash inflow from operating activities	794,569	1,435,963	635,095
Net cash outflow from investing activities	(570,408)	(486,322)	(228,219)
Net cash outflow from financing activities	(81,728)	(531,393)	(634,775)
Cash and cash equivalents at the beginning of the year	78,840	221,273	639,521
Cash and cash equivalents at the end of the year	**221,273**	**639,521**	**411,621**

Source: The Financial Statements.

(1) The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and Zakat payable in line with the revised classification in the audited consolidated financial statements for the financial years ended 31 December 2021G.

Table (8): The Group's Key Performance Indicators for the Financial Years Ended 31 December 2019G, 2020G and 2021G

	Year Ended 31 December		
	2019G	2020G	2021G
Gross Profit Margin (%)	19.1%	20.7%	21.3%
Operating Profit Margin (%)	13.5%	15.8%	16.5%
Net Profit Margin (%)	8.2%	11.6%	12.4%
Return on Assets (%)	3.1%	4.2%	4.2%
Return on Equity (%)	6.4%	7.5%	6.5%
Current Assets to Current Liabilities	1.0	1.2	1.2
Liabilities to Equity	1.0	0.8	0.6
Debt to equity	0.7	0.5	0.3

Source: The Group's information.

SUMMARY OF RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (*Risk Factors*).

Risks Related to the Activities and Operations of the Company

- Risks Relating to the Impact of Fluctuations in Oil and Natural Gas Prices on the Level of Expenditure by the Oil and Gas Industry and Demand for Drilling Services
- Risks Related to Concentration of Revenues from Saudi Aramco and to Top Ten Rigs
- Risks Relating to the Ability to Win New Contracts, and Renewal or Extension of Existing Contracts
- Risks Related to Non-performance of Drilling Contracts by the Group
- Risks Related to Backlog
- Risks Related to Drilling Contracts Containing Fixed Day Rates
- Risks Related to Contracts Being Subject to Suspension, Early Termination or Variance
- Risks Related to Rig Operational Costs Not Necessarily Fluctuating in Proportion to Changes in Operating Revenues
- Risks Relating to Challenges from any Expansion into New Markets and Ancillary Businesses
- Risks Related to Rig Move, Upgrade, Repair, Refurbishment and Construction Projects
- Risks Relating to the COVID-19 Pandemic
- Risks Related to Impact of Cybersecurity Attacks on Security and Reliability of Technology Systems
- Risks Related to the Inability to Keep Pace with Significant Technological Developments
- Risks Related to Contracts with National Oil Companies (NOCs) or their Joint Ventures May Expose the Group to Greater Risks than those Assumed for Contracts with Non-Governmental Customers
- Risks Related to Equipment Failure, Shutdowns or other Disruptions
- Risks related to Potential Business Mergers and Acquisitions Undertaken by the Group
- Risks Related to Public and Investor Sentiment Towards Climate Change, Fossil Fuels and Other ESG Matters
- Risks Related to Global Transition to Renewable or Other Alternative Energy Sources
- Risks Related to the Group's Aspirations, Goals, Commitment Targets and Initiatives Related to Sustainability
- Risks Related to Related Party Transactions and Agreements
- Risks Related to Engagement of Directors or Senior Executives in Business Competing with the Group's Business
- Risks Related to Dependence on Third Parties, Distributors, Manufacturers and Strategic Partners
- Risks Related to Rig Operations Being Exposed to Catastrophic Events or Acts of Terrorism Over Which the Group Has No Control
- Risks Related to Adverse Changes in Exchange Rate
- Risks Related to Collection of Receivables
- Risks Imposed by Financing
- The Group's Ability to Generate Sufficient Cash to Service its Debt Obligations and Operations Depends on Many Factors Beyond its Control
- Risks Related to The Group Being Exposed to a Range of Financial Risks, Including Interest Rate Risk
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to Employee Misconduct and Errors
- Risks Related to Employing and Sponsoring Non-Saudi Employees
- Risks Related to Failure to Secure Adequate Insurance Coverage
- Risks Related to Litigation

- Risks Related to Protection of Intellectual Property Rights
- Risks Related to Potential Zakat Liability and Tax
- Risks in Connection with the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors
- Risks Related to Newly Implemented Corporate Governance Rules
- Risks Related to Failure by the Audit Committee, the Nomination and Remuneration Committee to Perform their Duties as Required
- Risks Related to Lack of Experience in Managing a Listed Joint Stock Company

Risks Related to the Market, Industry, and Regulatory Environment

- Risks Related to General Economic Conditions
- Risks Related to Political Instability and Security Concerns in the Middle East Region
- Risks Relating to the Drilling Industry Being Historically Competitive, Cyclical and Subject to Intense Price Competition
- Risks Related to Changes in the Regulatory Environment
- Risks related to Unanticipated Costs Related to Compliance with Health and Safety and Environmental Laws and Regulations
- Risks Related to Non-compliance with Applicable Anti-corruption Laws or Sanctions
- Risks Related to Accidents on any of the Group's Rigs Causing Severe Damage or Injury, Resulting in Significant Costs Being Incurred
- Risks Related to Zakat and Income Tax Calculation Mechanism Change
- Risks Related to Non-Compliance with Value Added Tax Regulations
- Risks Related to Licences and Approvals
- Risks Related to Certification of Rigs
- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- Risks Related to Non-Compliance with the Saudization Requirements
- Risks Related to Compliance with the Companies Law, the Implementing Regulations and the Corporate Governance Regulations

Risks Related to Offer Shares

- Risks Related to Effective Control by the Current Shareholders after the Offering
- Risks Related to Absence of a Prior Market for the Offer Shares
- Risks Related to Selling a Large Number of Shares on the Exchange
- Risks Related to Issuance of New Shares
- Risks Related to Fluctuation in the Market Price of the Shares
- Risks Related to Distribution of Dividends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Safety First
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1. DEFINITIONS AND ABBREVIATIONS

1.1 Glossary of Defined Terms

Admission	Admission of the Shares to full listing on the Exchange in accordance with the Listing Rules and, where the context requires, an application to the Exchange for listing of securities.
Advisors	Advisors of the Company in relation to the Offering, whose names appear on pages (ix), (x) and (xi) of this Prospectus.
Audit Committee	The Audit Committee of the Company.
Auditors	PricewaterhouseCoopers Certified Public Accountants, the external auditors of the Company and the Subsidiary.
Baker Hughes	Baker Hughes Saudi Arabia.
Banking Committee	The Committee for Settlement of Banking Disputes of the Saudi Central Bank (SAMA), responsible for adjudicating lender-client disputes.
Bidding Participation Application	The application submitted by the Participating Entities to the Bookrunners for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications when the price range is changed.
Board of Directors or Board	The Board of Directors of the Company.
Book-Building Instructions	The Instructions for Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to the CMA's Board Resolution No. 2-94-2016, dated 15 Shawwal 1437H (corresponding to 20 July 2016G), as amended by the CMA's Board Resolution No. 3-102-2019, dated 18 Muharram 1441H (corresponding to 17 September 2019G).
Bookrunners (and each a Bookrunner)	HSBC Saudi Arabia, SNB Capital Company and Goldman Sachs Saudi Arabia.
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 12.15 (*Summary of Bylaws*).
CAGR	Compound annual growth rate.
Capital Market Institution	A Person authorised by the CMA to practice securities business.
Chairman	The Chairman of the Board of Directors.
Chief Executive Officer	The Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued under Royal Decree M/30, dated 2 Jumada alAkhirah 1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee of the Company.
Companies Law	The Companies Law, issued under Royal Decree No. (M/3), dated 28 Muharram 1437H (corresponding to 10 November 2015G), as amended.
Company or Issuer	Arabian Drilling Company.
control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30.0 per cent. or more of the voting rights in the Company, or (b) the right to appoint 30.0 per cent. or more of the administrative staff; and the word "**controller**" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to the CMA Board's Resolution No. 8-16-2017, dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), and amended pursuant to the CMA Board's Resolution No. 17-2021, dated 1 Jumada al-Akhirah 1442H (corresponding to 14 January 2021G), as may be amended.
Directors (and each individually a Director)	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Section 5.2.1 (*Composition of the Board of Directors*).
Emerging and Developing Asian Economies	Defined by the International Monetary Fund as including Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Lao P.D.R., Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu and Vietnam.

E&P	Refers to either exploration and production activities or to the companies performing such activities, which together represent the upstream portion of the oil and gas industry.
ESG	Environmental, social and governance.
Exchange or Tadawul	The Saudi Exchange (Tadawul).
Executive Committee	The Executive Committee of the Company.
Executive Management	The Senior Executives of the Company.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Financial Due Diligence Advisor	Ernst & Young & Co (Certified Public Accountants).
Financial Institutions	Banks and financial services companies.
Financial Statements	The Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, that have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and audited by the Auditors. Such consolidated financial statements are contained in Section 19 (*Financial Statements and Auditors' Report*).
financial year	The Company's financial year starting from 1 January to 31 December of each calendar year.
Foreign Investors	Non-GCC individuals living outside the Kingdom and non-GCC institutions incorporated outside the Kingdom who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into swap agreements with Capital Market Institutions to purchase shares listed on the Exchange.
G	Gregorian calendar.
GASTAT	The General Authority for Statistics, a government agency in the Kingdom responsible for the implementation of statistical works, including conducting national surveys.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom and United Arab Emirates.
GCC Corporate Investors	Any company with the majority of its share capital being owned by GCC natural persons or governments and having the nationality of a GCC State according to the definition mentioned in the Resolution of the Supreme Council of GCC issued in the 15th session and approved by the Council of Ministers' Resolution No. 16 dated 20 Muharram 1418H (corresponding to 26 May 1997G), as well as GCC funds with the majority of its capital being owned by GCC citizens or governments.
GCC Countries	The Gulf Cooperation Council countries.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	GDP per capita is a measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly of the Company's Shareholders.
GOSI	The General Organization of Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "**Governmental**" shall be interpreted accordingly).
Group	The Company and the Subsidiary.
H	Hijri calendar.
IASB	International Accounting Standard Board.
IFRS	International Financial Reporting Standards that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
IKTVA	In-Kingdom Total Value Add.
Individual Investors	Individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution.

Investment Funds Regulations	The Investment Funds Regulations issued pursuant to the CMA Board's Resolution No. 1-219-2006, dated 3 Thul-Hijjah 1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by the CMA Board's Resolution No. 2-22-2021 on 12 Rajab 1442H (corresponding to 24 February 2021G).
Investors	The Participating Parties and Individual Investors.
Joint Financial Advisors (and each a Joint Financial Advisor)	HSBC Saudi Arabia, SNB Capital Company and Goldman Sachs Saudi Arabia.
Joint Global Coordinators	HSBC Saudi Arabia and Goldman Sachs Saudi Arabia.
Kingdom	Kingdom of Saudi Arabia.
KJO	Al-Khafji Joint Operations.
Labour Law	The Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	HSBC Saudi Arabia, as Lead Manager, Settlement and Individual Subscription Coordinator and Collection Account Manager.
Legal Advisor	Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation.
Listing Rules	The Listing Rules approved by the CMA Board Resolution No. 3-123-2017, dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G), as amended by the CMA's Board Resolution No. 1-52-2022 dated 12 Ramadan 1443H (corresponding to 13 April 2022G).
Local Co-ordinator	SNB Capital Company.
Lock-up Period	A six-month period during which the Substantial Shareholders may not dispose of any of their Shares from the date on which trading of the Shares commences on the Exchange.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Market Consultant	Rystad Energy AS.
Market Study Report	The market study report dated 29 Sha'ban 14431H (corresponding to 1 April 2022G) prepared by the Market Consultant exclusively for the Company, as supplemented by the Supplementary Information prepared by the Market Consultant in June 2022G.
MHRSD	The Saudi Arabian Ministry of Human Resources and Social Development.
Ministry of Energy	The Saudi Arabian Ministry of Energy.
Ministry of Investment	The Saudi Arabian Ministry of Investment.
Ministry of Commerce	The Saudi Arabian Ministry of Commerce.
MPSV	Multi-purpose service vessel.
National Transformation Program (NTP)	The programme developed to help realise Saudi Vision 2030 and define the challenges that Government agencies in the economic and development sectors face.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Neutral Zone	The Saudi Arabia-Kuwait Neutral Zone.
New Shares	Nine million (9,000,000) new Shares to be allotted and issued by the Company in connection with the Offering.
Nominal Value	SAR 10 per share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
North American Shale Industry	North American onshore hydrocarbon industry relating to the exploitation of unconventional hydrocarbon resources.
Offer Price	SAR 100 per Share.
Offer Shares	Twenty-six million seven hundred thousand (26,700,000) Shares, comprising the New Shares and the Sale Shares.
Offering	The initial public offering of twenty-six million seven hundred thousand (26,700,000) Shares consisting of: (i) the sale of seventeen million seven hundred thousand (17,700,000) Sale Shares; and (ii) the issue of nine million (9,000,000) New Shares, and at an Offer Price of SAR 100 per Share.
Offering Period	A period of two (2) days starting from 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G), until the end of Offering on 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G).

Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.
Participating Parties	In accordance with the Book-Building Instructions, parties entitled to participate in the book-building process, as follows: 1- public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; 2- Capital Market Institutions authorised by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon submission of a Subscription Application Form; 3- clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4- Legal persons allowed to open an investment account in the Kingdom, and an account with the Securities Depository Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in CMA Circular No. 6/05158, dated 11 Sha'ban 1435H (corresponding to 9 June 2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20 Rajab 1435H (corresponding to 19 May 2014G); 5- Governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; 6- Government-owned companies, whether investing directly or through a portfolio manager; and 7- GCC companies, and GCC funds if permissible under the terms and conditions of such funds.
Person	A natural or a legal person under the laws of the Kingdom.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board's Resolution No. 1-40-2012, dated 17 Safar 1434H (corresponding to 30 December 2012G), as amended.
Public	Persons other than the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of the Issuer's affiliates; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons referred to in paragraphs 1, 2, 3, 4, or 5 above; 7- any company controlled by any person referred to in paragraphs 1, 2, 3, 4, 5 or 6 above; or 8- Persons acting in concert, with a collective shareholding of five per cent. or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A qualified foreign investor who is qualified in accordance with the QFI Rules to invest in listed securities. Qualification application shall be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to the CMA Board's Resolution No. 1-42-2015, dated 15 Rajab 1436H (corresponding to 4 May 2015G) and amended pursuant to the CMA Board's Resolution No. 3-65-2019, dated 14 Shawwal 1440H (corresponding to 17 June 2019G).
QHSE	Quality, health, safety and environment.
Receiving Agents	The Receiving Agents whose names appear on page (xii) of this Prospectus.
Regulation S	Regulation S under the United States Securities Act of 1933, as amended.
REI	Rig efficiency index.

Related Party	It includes, in this Prospectus, the term "**Related Party**" or "**Related Parties**" in accordance with Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by the CMA's Board Resolution No. 4-11-2004 dated 20 Sha'ban 1425H (corresponding to 4 October 2004G), as amended by the CMA's Board Resolution No. 5-5-2022 dated 2 Jumada al-Akhirah 1443H (corresponding to 5 January 2022G) as follows: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of an affiliate of the Issuer; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons described in paragraphs 1, 2, 3, 4, or 5 above; or 7- any company controlled by any person described in paragraphs 1, 2, 3, 4, 5 or 6.
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations: 1- fathers, mothers, grandfathers and grandmothers (and their ancestors); 2- children and grandchildren and their descendants; 3- siblings, maternal and paternal half-siblings; and 4- husbands and wives.
risk factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA's Board Resolution No. 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), and amended by the CMA Board's Resolution No. 5-5-2022 dated 2 Jumada al-Akhirah 1443H (corresponding to 5 January 2022G)).
Sale Shares	Seventeen million seven hundred thousand (17,700,000) existing Shares of the Company to be sold by the Selling Shareholders in connection with the Offering.
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
Saudi Aramco	Saudi Arabian Oil Company.
Saudi Central Bank (SAMA)	Saudi Central Bank.
Schlumberger	Schlumberger Middle East S.A and Dowell Schlumberger Saudi Arabia, collectively.
Secretary	The Secretary of the Board of Directors.
Securities Act	U.S. Securities Act of 1933, as amended.
Selling Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 6 (Direct Ownership Structure of the Company Pre- and Post-Offering) who will sell part of their Shares in the Offering.
Senior Executives	The members of the Company's senior management whose names appear in Table 5.6 (Details of Senior Executives).
Shareholder	Any holder of Shares in the Company.
Shares	Ordinary shares of the Company, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share in the Company's capital issued from time to time.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
SPS	Services Pétroliers Schlumberger S.A.
Subscribers	The Participating Entities and Individual Investors participating in the Offering.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Subsidiary	Ofsat Arabia LLC, the subsidiary of the Company.
Substantial Shareholder	Each Shareholder who individually owns five per cent. (5%) or more of the Issuer's shares.
Sukuk Programme	The Company's sukuk issuance programme with a maximum aggregate nominal amount of all sukuk from time to time, as are current, not exceeding SAR 2,000,000,000, pursuant to the offering circular dated 2 Rajab 1443H (corresponding to 3 February 2022G), of which the CMA was notified on 25 Jumada alUla 1443H (corresponding to 29 December 2021G) and 23 Jumada al-Akhirah 1443H (corresponding to 26 January 2022G).
Supplementary Information	Updates to the Market Study Report prepared by the Market Consultant for the Company in June 2022G.

nderwriters (and each an Underwriter)	HSBC Saudi Arabia, SNB Capital Company and Goldman Sachs Saudi Arabia.
Underwriting Agreement	The Underwriting Agreement entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering.
USD	United States Dollar, the lawful currency of the United States of America.
TAQA	The Industrialization & Energy Services Company (TAQA).
Value Added Tax (VAT)	The Council of Ministers of the Kingdom resolved on 2 Jumada Al-Awwal 1438H (corresponding to 30 January 2017G) to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1 January 2018G, as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and in the other GCC Countries. The amount of this tax was initially five per cent., and a number of products (such as basic food, and health care and education services) are exempted from such tax. As of 1 July 2020G, VAT was further increased to 15.0 per cent. by the Ministry of Finance of the Kingdom.
Zakat	A form of alms-giving treated in Islam as a religious obligation or tax.
ZATCA	Zakat, Tax and Customs Authority in the Kingdom.

1.2 Certain Terminology

deep water	Water with depths in excess of 125 metres.
downstream	Processing stage in the oil and gas industry relating to the conversion of oil and gas into finished products for end-use applications.
flaring emissions	Emissions related to the burning of natural gas produced in association with oil production or during specific operations.
gas-to-power	Process of generating utility-scale power from natural gas using gas turbine based power generation.
hydrocarbon liquids	Crude oil, natural gas liquids (NGLs) and condensate.
shale-oil	Unconventional oil type requiring the fracturing of shale rock in order to produce oil.
shallow water	Water with depths of less than 125 metres.
tight-oil	An oil type requiring fracturing of the reservoir to produce but does not necessarily originate from shale-based reservoirs and includes low permeability sandstones.
unconventional field	Fields where hydrocarbons are produced through alternative methods than traditional drilling of vertical wells.
upstream	Operational stage in the oil and gas industry primarily involving exploration and production activities.
workover	Activities performed to enhance the production from existing oil or gas wells.

2. RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, all prospective investors should carefully consider the following risk factors and the other information contained in this Prospectus. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of, or that the Company currently believes are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial position, results of operations and prospects. As a result, the price of the Company's Shares may decline, the Company's ability to pay dividends could be impaired and/or investors may lose all or part of their investments.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus than those mentioned in this Section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Offer Shares and the Offering in general, and the economic and regulatory environment in which the Group operates.

An investment in the Offer Shares is only suitable for investors who are able to evaluate the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licensed by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that can reflect their expected impact on the Group.

2.1 Risks Related to the Activities and Operations of the Company

2.1.1 Risks Relating to the Impact of Fluctuations in Oil and Natural Gas Prices on the Level of Expenditure by the Oil and Gas Industry and Demand for Drilling Services

The Group's operating results, financial condition and prospects depend substantially on the level of demand for the exploration, development and production of crude oil and gas by major international and national oil and gas companies that make up the Group's customer base. The oil and gas exploration, development and production industry has historically been characterised by volatile and significant changes in the level of exploration, development and production of crude oil and gas reserves, which is in turn drives the prices of oil and gas. The demand for operating rigs may change as oil and gas prices rise or fall, in turn influencing the expenditures the Group's customers make and, in turn, the Group's revenue. As such, the Group's customers' expenditure on exploration, appraisal and development of oil and gas fields depends, among other factors, on current and expected short-term and long-term oil and gas prices. Should overall levels of exploration, development and production activities of the Group's customer base fall short of the Group's expectations, this could have a material adverse effect on the Group's business, financial condition and results of operation.

Oil and natural gas prices, as well as the corresponding level of drilling, exploration and production activity, have been highly volatile over the past few years and are expected to continue to be volatile for the foreseeable future. See Section 3.1.6 (*Cost of Upstream Hydrocarbon Supply in the Upstream Stage*) for a discussion of the global upstream oil and gas capital expenditures. Declines in oil prices are primarily caused by, among other things, an excess of supply of crude oil in relation to demand. Global and regional oil and gas prices are affected by numerous other factors, including:

- global and regional supply and demand for energy particularly in the United States, Europe and Asia (in particular China and India), and expectations regarding future supply and demand for oil products and gas, which can be determined by population growth and general economic and business conditions;
- trading activities by market participants and others either seeking to secure access to oil and gas or to hedge against commercial risks, or as part of investment activity;
- oil and gas production by non-OPEC countries and competition between them;
- the policies and laws of various governments regarding exploration and development of oil and gas reserves in their regions, energy sources and energy efficiency requirements;
- the implementation or lifting of sanctions on oil-producing countries, including any further developments regarding sanctions on Russia in connection with the ongoing armed conflict in Ukraine and regarding sanctions on Iran and/or Venezuela;
- the cost of exploring for, producing and delivering oil and gas;

- the ability of OPEC and other oil-producing countries to set and maintain production levels and prices for oil and in particular any production restrictions agreed by OPEC may adversely impact demand for the Group's services;
- capital expenditures by major national and international oil companies, and the types of products to which these expenditures are allocated;
- geopolitical and economic uncertainty and socio-political unrest, and ancillary political, economic and military developments in oil and gas producing regions generally;
- threats or acts of terrorism, cyber security attacks, war or threat of war, which may affect supply, transportation or demand;
- the level of worldwide oil exploration and production activity;
- the availability of pipeline, storage and refining capacity;
- the availability and prices of alternative energy sources;
- advances in exploration, development and production technology;
- weather conditions affecting supply and demand; and
- global economic activity and levels of GDP.

There can be no assurances as to the future level of demand for the Group's services or future conditions in the oil and natural gas and oilfield services industries. Lower oil and natural gas prices also could affect the Group's ability to retain skilled rig personnel and affect its ability to access capital to finance and grow its business. Additionally, since the Group's business depends on the level of activity in the oil and natural gas industry, any improvement in or new discoveries of alternative energy technologies that increase the use of alternative forms of energy and reduce the demand for oil and natural gas could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.2 Risks Related to Concentration of Revenues from Saudi Aramco and to Top Ten Rigs

The total revenues generated by the Group's top three customers, namely Saudi Aramco, affiliates of the Schlumberger Group (including Schlumberger Middle East S.A, Dowell Schlumberger Saudi Arabia Ltd.) and KJO), accounted for almost all of the Group's total revenue for the financial years ended 31 December 2019G, 2020G and 2021G, with the Group's largest customer, Saudi Aramco, accounting for 65.2 per cent., 59.5 per cent. and 54.2 per cent., respectively, of the Group's revenue in the same periods (for further details on the Group's major customers, see Section 4.5.5 (*Customers*) and Section 6.5.1.1 (c) (*Revenue by Customers*)). However, as KJO is a joint venture with Saudi Aramco and the affiliates of the Schlumberger Group, as well as Baker Hughes, are contractors for Saudi Aramco, all of the Group's revenue is ultimately directly or indirectly linked to Saudi Aramco. The Group's business, financial condition, results of operation and cash flows could be materially adversely affected if any of these customers were to directly reduce (or Saudi Aramco indirectly) its contractual commitment or to suspend or withdraw its approval to provide services to them. In particular, where the Group's top three customers are engaged in more than one of the Group's assets, any loss of, or underperformance on one contract may have a knock-on effect on contracts for the same customer and have a corresponding material adverse effect on the Group's business, results of operations, cash flows and prospects.

The Group's growth is also closely connected to the growth in activity of the customers and the Group's results may be impacted if Saudi Aramco were to significantly reduce its growth strategy. Furthermore, if any of the major customers fail to compensate the Group for the services, terminated contracts, failure to renew existing contracts or refuse to enter into new contracts with the Group, or if a customer were unable to perform due to liquidity or solvency issues, and similar contracts with new customers were not forthcoming, the Group's business, financial condition, results of operations and prospects would be materially adversely affected.

Moreover, the total revenues generated by the Group's top ten rigs accounted for 30.2 per cent., 36.5 per cent. and 40.6 per cent. of the Group's total revenue for the financial years ended 31 December 2019G, 2020G and 2021G. If drilling contracts for any such rigs are terminated, not renewed, or suspended, this would have a material adverse effect on the Group's business, results of operations, cash flows and prospects.

2.1.3 Risks Relating to the Ability to Win New Contracts, and Renewal or Extension of Existing Contracts

The Group's revenue is predominantly derived from drilling contracts that are awarded on a tender basis. The Group participates in tenders to win new contracts and to renew certain existing contracts (which may not have an option to be extended by the customer or to be renegotiated privately with the customer without a prior tender process). It is generally difficult to predict whether the Group will be awarded future contracts on favourable terms or at all, as tenders are affected by several factors beyond the Group's control, such as market conditions, including the intensity of the competition due to oversupply of rigs, the willingness or ability of competitors to submit lower bid, the technical profiles of competitors relative to the Group and governmental approvals. In preparation for a tender of a new contract, the Group assesses the current capacity in terms of employees, equipment and the availability of third-party sub-contractors and suppliers and, if the Group is awarded the contract, how to deploy resources to perform the contract. Pre-qualification of certain thresholds may be required, such as health, safety and environmental requirements, as well as demonstration of the ability to provide equipment and compliance with local requirements. If the Group is unable to win new contracts and renew or extend existing contracts, utilisation of the Group's rigs and equipment may drop below expected levels, adversely affecting the business, financial conditions and results of operations of the Group.

The Group's drilling contracts are normally linked to fixed lengths of time (with the length of the original term being typically three to five years) and may include extension options that are exercisable at the discretion of the customer prior to the end of a contract term (such options typically extend the term for an additional year, and are exercisable once or twice). Such options do not represent guaranteed commitments from the Group's customers, and may be exercised by the customers fully, partially or not at all. Exercise of an extension option requires notice prior to the end of a contract term. While all rigs are actively marketed prior to the end of a contract in anticipation of a customer choosing not to exercise extension options, if the customer decides not to exercise the option, the Group will need to secure a new contract for that rig, which could lead to a period during which the rig is off-hire and adversely affect the Group's utilisation and contract backlog.

As of 31 December 2021G, contracts for 26 of the Company's rigs were due to expire during the financial year ended 31 December 2022G. If new contracts are not immediately started after the end of current contracts, or if new contracts are entered into at day rates substantially below existing day rates, or on terms otherwise less favourable compared to previous or existing contract terms (including suspension or termination options), or which leaves the Group with mobilisation or demobilisation costs that cannot be fully recovered, the Group's business, financial position, results of operations and prospects could be adversely affected.

2.1.4 Risks Related to Non-performance of Drilling Contracts by the Group

Operating day rate revenue represented on average 98.6 per cent. of total drilling revenue in the financial years ended 31 December 2019G, 2020G and 2021G. In case of certain interruptions, delays, or suspensions of drilling operations due to breakdown, repairs, inspection, modification, or waiting for manpower, the Company does not receive any payment from customers for any of the affected rigs past certain agreed thresholds. In addition, if it breaches its obligations under such contracts, it may be required to pay damages to customers, the customers may not renew such agreements or they can terminate such agreements. Poor performance, such as long flat time, rig lost time, low rating of IKTVA score or low HSE records, on its drilling contracts may be a ground for termination by Saudi Aramco if not remedied in accordance with the terms of such contracts. If several drilling contracts are terminated, in particular the contracts with Saudi Aramco, the Group may experience significant delays, difficulties, and costs in finding replacement customers and in case of termination of contracts with Saudi Aramco, there may not be sufficient alternatives since all of the Group's revenue is ultimately directly or indirectly linked to Saudi Aramco. Therefore, such non-performance could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.5 Risks Related to Backlog

Backlog is difficult to determine accurately, and companies within the oil and gas exploration and production industry may define backlog differently. As of 31 December 2019G, 2020G and 2021G, the Group had a contract backlog of approximately SAR 5.3 billion, SAR 3.3 billion and SAR 2.4 billion, respectively. As of 31 December 2021G, Saudi Aramco accounted for 64.1 per cent., KJO accounted for 31.0 per cent. and affiliates of the Schlumberger Group (including Schlumberger Middle East S.A, Dowell Schlumberger Saudi Arabia Ltd.) accounted for 4.8 per cent., respectively, of the backlog, while the Group's backlog amounted to 8.2 billion as of 31 July 2022G, with Saudi Aramco accounting for 66.8 per cent., Schlumberger accounting for 22.9 per cent., KJO accounting for 7.7 per cent. and Baker Hughes accounting for 2.6 per cent. However, as KJO is a joint venture with Saudi Aramco and the affiliates of the Schlumberger Group (including Schlumberger Middle East S.A, Dowell Schlumberger Saudi Arabia Ltd.), as well as Baker Hughes, are contractors for Saudi Aramco, all of the Group's backlog is ultimately directly or indirectly linked to Saudi Aramco. The backlog represents the Group's estimate of the amount of future revenue expected to be recorded under existing awarded contracts. The amount of contract backlog does not necessarily indicate future earnings, and may be adjusted up or down depending on the award of new contracts or extensions or the exercise by the customer of extension options, early cancellation of existing contracts (for which the Group may not be entitled to compensation), renegotiation of contract day rates, failure by customers to complete existing contracts or to pay amounts owed or the unavailability of equipment to fulfil a contract due to repairs, maintenance or inspections. In addition, certain of the Group's existing contracts provide for, and future contracts may also provide for, quarterly or yearly adjustments of contract day rates. Such adjustments may result in downward revisions to the contract backlog each year. Moreover, any decrease in the rig efficiency index ("**REI**") score of the Group may decrease the likelihood of Saudi Aramco renewing or extended the Group's existing contracts, or awarding new contracts to the Group, therefore negatively impacting the backlog See also Section 4.5.2.1 (*Rig Efficiency Index*) for further details on the REI rate score of the Group.

Other factors can also affect the Group's contract backlog. The contract drilling day rate used in the calculation of contract backlog may be higher or lower than the actual day rate the Company ultimately receives and, under certain circumstances, may be replaced temporarily by nil or alternative day rates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or moving rate. The contract drilling day rate used in the calculation of contract backlog may also be higher or lower than the actual day rate ultimately received due to several factors resulting in lost day rate revenue, including rig downtime or suspension of operations. In certain contracts, the day rate may be reduced to zero if, for example, repairs extend beyond a stated period. Contracts also typically include a provision that allows the customer to extend the term period of the contract to finish drilling the customer's last well. The period beyond the term of the contract to finish drilling and the associated day rate revenues are not included in the calculation of the contract backlog. In certain contracts, the customer may suspend or cancel the contract without cause or payment of an early termination fee by serving a certain period of notice.

The backlog at any point in time may not accurately represent the revenue that the Group expects to realise during any period, and its backlog should not be viewed or relied upon as a stand-alone indicator. Consequently, the Group cannot provide assurance as to its customers' requirements or its estimates of backlog. Should the Group receive less revenue than expected in the light of its backlog, it will have a material adverse effect on the Group's business, financial position, results of operations and prospects. For further discussion on how the Group calculates backlog for its business, see Section 4.5.5.3 (*Backlog*).

2.1.6 Risks Related to Drilling Contracts Containing Fixed Day Rates

The Group's operating costs are generally related to the number of rigs in operation and the cost level in each region where the rigs are located, which may increase depending on a variety of factors including supply and demand dynamics, general price inflation, commodity prices, developments in the competitive landscape, and the entrance or exit of suppliers. In contrast, in the financial years ended 31 December 2019G, 2020G and 2021G, the Group generated approximately 79.3 per cent., 77.5 per cent. and 75.0 per cent., respectively, of its total revenues from drilling contracts that have day rates fixed over the contract term. Because the drilling contracts do not typically contain any day rates escalation clauses, the Group must use certain pricing assumptions (such as vendor cost escalation, inflation and payroll increase) when it bids for such contracts. The Kingdom, in common with many other jurisdictions and economic regions, is experiencing an acceleration and increase in inflation. The Group may be unable to recoup additional unexpected costs from its customers, which may cause the actual net profits from a drilling contract to differ from those it originally estimated. See also Section 6.3.2 (*Day Rates and Utilisation Rates*) for more details. The following factors may cause the estimated net profits of a drilling contract to differ from the actual net profits:

- failure to properly estimate costs of equipment, labour or subcontractors;
- inefficient labour performance;
- unanticipated problems in its supply chain, which may require the Company to incur additional costs to remedy the problem;
- failure of its suppliers or subcontractors to fulfil their contractual requirements;
- unavailability and lower skill level of workers;
- changes in relevant laws and regulations, resulting in unexpected costs;
- fuel costs; or
- delays due to factors beyond the Company's control, such as delays in obtaining well control equipment certificate of compliance.

In particular, prices for maintaining and/or replacing required equipment may increase from time to time. In the event of any such increase, the Group may not be able to pass on any cost of the increases to its customers. The occurrence of any of the above factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects. See also Risk 2.1.10 (Risks Related to Rig Move, Upgrade, Repair, Refurbishment and Construction Projects) for a discussion of the risk of the fixed or day rate compensation for mobilisation or rig move not fully covering mobilisation or rig move costs.

2.1.7 Risks Related to Contracts Being Subject to Suspension, Early Termination or Variance

A number of the Group's contracts may be subject to suspension, early termination or variation, and if such variation provisions are exercised, the Group's utilisation and backlog levels may decrease, and the levels of revenue to be received by the Group may be reduced. In general, the initial term of the Group's contract typically ranges from three to five years with an option for the customer to extend the contract at its discretion for an additional year, exercisable once or twice. The contracts typically include an early termination fee for the benefit of the Group if the customer opts to terminate the contract for convenience during the principal term. The early termination fees are typically calculated based on a reduced day rate until the end of the principal term or are capped by reference to a maximum number of days (typically 180 days). Where contracts run into their extension periods, the contracts typically allow a customer to terminate the contract without any early termination fee and with only a 30-day notice period. In addition, customers may also have early termination rights upon default or non-performance by the Company. In such circumstances, the Group may or may not have the right to receive compensation in respect of such early termination, and the Group may not be able to fully eliminate costs associated with the contract.

Moreover, some contracts may be suspended, rather than terminated early, for an extended period, without adequate compensation (see Section 4.5.5.2 (*Contracts with Customers*) for a discussion of suspension due to COVID-19). The Group may also face downward pricing pressure and decreased demand for drilling services from existing customers due to market conditions, resulting in renegotiations of pricing and other terms in the drilling contracts both during the term of the contract and at the time of contract renewal. In addition to exercising contractual clauses, customers may also exert other pressures. During periods of challenging market conditions, the Group may be subject to an increased risk of its: (i) customers choosing not to renew short-term contracts; (ii) customers seeking to repudiate their contracts, including through claims of non-performance; (iii) customers seeking to renegotiate their contracts to reduce the agreed day rates; and (iv) cancellation of drilling contracts (with or without early termination payments). Such actions may have a material adverse effect on the Group's business, financial condition and results of operations. See Section 6.5.1.1 (c) (*Revenue by Customers*) for a discussion of revenue per customer in the last three financial years.

Termination and suspension of drilling contracts results in loss of the day rates for the period of the contract. In addition, faced with a contract termination or suspension, the Group may nevertheless incur substantial stranded costs, such as mainly rig depreciation, maintenance costs and insurance costs. If the customers default or cancel certain of the Group's significant contracts and the Group is unable to secure new contracts on substantially the same terms, the Group's backlog may be reduced and this could result in adverse effects on the Group's business, financial condition and results of operation. See also the following risk factor.

2.1.8 Risks Related to Rig Operational Costs Not Necessarily Fluctuating in Proportion to Changes in Operating Revenues

While the Group actively works to reduce and optimise its operating costs in line with any reductions in its rig operations, some of its operating costs are fixed or only partially variable and such costs may not be reduced in proportion to any reduction in activity. Furthermore, depending on circumstances the Group may not always seek to reduce any variable operating costs, particularly where it is inefficient to do so (for example because future costs to re-engage the necessary resources would exceed the initial savings). For instance, the Group may seek to maintain daily rate staff on rigs that are temporarily subject to any unplanned downtime or any short idle time between contracts, to ensure rigs are immediately operational for the next contract, or certain crew members may be required to remain in service to render the rigs idle, before they are re-assigned or dismissed.

The Group's extensive rig operations also means that the Group is required to maintain a high working capital to cover various costs, including equipment maintenance costs that may fluctuate depending on the age and condition of the various rigs and their equipment, the specific operational requirements of its customers. The Group also incurs significant overhead costs to support all its processes and systems, which will not vary due to rig operations and will need to be incurred even when there is any reduction in activity levels, this could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.9 Risks Relating to Challenges from any Expansion into New Markets and Ancillary Businesses

While the Group's main activity is the operation of rigs and drilling activities, the Group does envision expanding its reach into services that are complementary to its drilling operations, such as the provision of necessary equipment to improve drilling efficiency and/or a potential expansion of its existing operations into neighbouring markets, including Bahrain, Kuwait and Oman. Any expansion by the Group into new markets and services could face challenges, including its lack of familiarity with culture, economic conditions of new locations and markets, difficulties in staffing, training and management of new employees, its lack of recognition and reputation in such new markets, lower margins, its ability to secure new contracts with current and new customers, obtain additional financing to finance the new operations, integrate them into its existing operations, and in general manage larger overall operations efficiently, while at the same time continuing to operate the Group's existing rigs efficiently. Accordingly, the Group's revenue growth rates in previous periods should not be taken as an indication of the Group's future growth rates. In addition, the Group plans to explore expansion opportunities in the broader GCC Region, where several competitors, including affiliates of Services Pétroliers Schlumberger S.A., one of the shareholders of the Company, are operating, and where there can be no assurances that the Group's assessments of, and assumptions regarding, the market opportunities will prove to be correct, and actual results may significantly differ from its expectations. Any lack of competitive advantage could also expose the Group to unexpected market conditions and delays, financial losses or cash flow challenges. Moreover, the execution of the Group's business plan and growth strategy could create strains on its organisational, administrative and operational infrastructure. The Group's possible expansion of product offering in familiar sectors to support its existing business may lead to quality issues that may affect the Group's reputation and impact its financials. Any expansion into new markets would be subject to certain location-specific restrictions. In particular, a decision of the Extraordinary General Assembly would be required pursuant to the Bylaws for the Group to undertake business in Oman and Pakistan. The Group's failure to execute its business plan and growth strategy, or to properly manage the expansion would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.10 Risks Related to Rig Move, Upgrade, Repair, Refurbishment and Construction Projects

The Company often incurs upgrade and refurbishment expenditures for its rig fleet to comply with contractual requirements, international standards, quality management and preventative maintenance and periodic certification requirements. Furthermore, the Group may incur substantial capital expenditure for the maintenance of its rigs, especially as its rig fleet gets older, as well as construction or acquisition of additional rigs. Rig move, upgrade, repair, refurbishment and construction projects often involve complex design and engineering services and are especially vulnerable to the risks of delay and cost overrun, which, among other factors, can result from the following:

- shortages of material or skilled labour;
- failure or delay with third party service providers and suppliers;
- increased cost of, and/or delays with, shipping of material;
- work stoppages;
- commodity price increases, including steel;
- adverse weather conditions; and
- long lead time for manufactured rig components.

The occurrence of any of the above risks (as well as other risks) could cause the Group to not realise a contract's full value, or result in delays in its operations, adversely affecting its business, financial condition and results of operation. Rig move revenue is dependent on certain factors, such as: (i) number of times a rig is moved to another location; (ii) number of days required to move a rig; and (iii) the distance of a rig move. Rig moves are performed based on customers' instructions and each rig has a specific rig move rate which is specified in the contracts. If the distance is above a certain threshold, an increment is added to the rig move rate per additional km, which varies by contract. As a result, for example, rig move revenue decreased in the financial year ended 31 December 2021G due to reduced distance covered and reduced rig move hours despite an increase in the overall number of rig moves.

The Group also periodically incurs costs related to the mobilisation and demobilisation of a rig at the start and end of contracts, as well rig move from one well location to another during the execution of a contract. The mobilisation, demobilisation and rig move are typically paid as a lump sum fee, exposing the Group to the risk of cost overruns in case of the occurrence of any of the factors set out above, and there can be no guarantee that the sums received will fully cover the relevant costs. In addition, any delays to achieving rig moves within the planned timeframe will result in loss of revenue until the affected rig is back on day rates after completing the move. Significant shortfall in the sums received from its customers as compared to the Group's actual mobilisation costs could adversely affect its business, financial condition, results of operation and prospects.

2.1.11 Risks Relating to the COVID-19 Pandemic

An outbreak of infectious diseases or any public health threat or fear may have a material adverse effect on the Group's business. In December 2019G, a new strain of coronavirus (COVID-19) was discovered in Wuhan, Hubei Province, China. This disease spread to most of the countries worldwide, which led to several countries, including the Kingdom and other countries in which the Group operates, taking multiple measures to curb the spread of the coronavirus. The COVID-19 pandemic has caused severe disruptions to supply chains, business continuity and workforce availability as most countries worldwide have instituted, and may continue to institute, quarantine measures, lockdowns, travel restrictions or other measures aimed at limiting the spread of the pandemic. The COVID-19 pandemic has caused disruptions to businesses and economic activity globally, including a decline in demand for oil and oil oversupply. The COVID-19 pandemic has had, and is reasonably likely to continue to have, a material adverse effect on the demand for the Group's services. Such effects have included, and may continue to include, adverse effects on revenue and net income, disruptions to operations, including restrictions on crew change travel, customer shutdowns of oil and gas exploration, development and production; supply chain and vendor activity disruptions, employee impacts from illness, school closures and other community response measures, which may lead to shortages of personnel who may be difficult or impossible to replace; and temporary closures of the Group's facilities or the facilities of customers and suppliers. Certain of the Group's contracts contain a customer option to suspend the contract, and such and other contracts have been early terminated, suspended, shortened or renegotiated, which have and will adversely impact the Group's business in future periods. In particular, seven onshore rigs were suspended for periods ranging from eight to 18 months and one rig was suspended for a period of three months due to COVID-19.

The extent to which the Group's operating and financial results are affected by COVID-19 will continue to depend on various factors and consequences beyond the Group's control, such as the continuation of the pandemic, new waves of the coronavirus, new information that may appear regarding the severity of the coronavirus and additional actions by businesses and governments in response to the pandemic, especially within the geographic locations where the Group operates, and the speed and effectiveness of these responses to combat the virus, including the effectiveness and timeliness of vaccinations, all of which remain highly uncertain at the time. COVID-19, and the volatile global economic conditions arising from the pandemic, has aggravated and will continue to aggravate certain other risk factors included in this Section. The resurgence of the coronavirus in a number of countries, including new variants, and further extended duration of COVID-19 or another future disease could further negatively impact the global economy and financial markets. If further outbreaks of COVID-19 or other diseases occur or increase, and restrictions which are to limit its spread continue, this could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.12 Risks Related to Impact of Cybersecurity Attacks on Security and Reliability of Technology Systems

The Group depends heavily on technologies, systems and networks that are managed by the Group or third-party service and equipment vendors to conduct their business and operations. Cybersecurity risks and threats to such systems continue to grow in sophisticated ways and may be increasingly difficult to anticipate, detect, prevent or mitigate. If any of the security systems used by the Group for detecting and protecting against cybersecurity threats proves to be insufficient, the Group's business and financial systems could be compromised, confidential or proprietary information in the Group's possession could be altered, lost or stolen, or the Group (or its customers') business operations or safety procedures could be disrupted, degraded or damaged. A cybersecurity breach of failure could also potentially result in injury (financial, operational or otherwise) to people, loss of control of, or damage to, the Group (or its customers') assets, harm to the environment, reputational damage, breaches of laws or regulations, litigation and other legal liabilities. Moreover, until June 2022G, IT support services will be provided to the Group by the affiliates of the Schlumberger Group. In addition, the Group may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Any failure or breach of the Group's systems could materially adversely impact the Group's reputation, business, financial position, results of operation and cash flows, as well as the Group's ability to service its indebtedness.

2.1.13 Risks Related to the Inability to Keep Pace with Significant Technological Developments

The market for the Group's services is affected by significant technological developments that have resulted in, and will likely continue to result in, substantial improvements in equipment functions and performance throughout the industry. As a result, the Group's future success and profitability will be dependent in part on its ability to:

- provide existing services, rigs and equipment;
- address the increasingly sophisticated needs of its customers; and
- anticipate major changes in technology and industry standards and respond to technological developments on a timely basis.
- Changes in technology or improvements by competitors could make the Group's equipment less competitive. There can be no assurance that it will:
- have sufficient capital resources to improve existing rigs or build new, technologically advanced drilling rigs;
- avoid cost overruns inherent in large projects resulting from numerous factors, such as shortages or unscheduled delays in delivery of equipment or materials, inadequate levels of skilled labour, unanticipated increases in costs of equipment, materials and labour, design and engineering problems, and financial or other difficulties;
- successfully deploy idle, stacked, new or upgraded drilling rigs;
- effectively manage the increased size or future growth of its organisation and drilling fleet;
- maintain crews necessary to operate existing or additional drilling rigs; or
- successfully improve its financial condition, results of operations, business or prospects as a result of improving existing drilling rigs or building new drilling rigs.

New technologies may cause the Group's drilling methods and equipment to become less competitive and it may become necessary to incur higher levels of capital expenditures in order to keep pace with the disruptive trends in the drilling industry. Even if the Group is successful in developing new technologies for use in its business, there is no guarantee of future demand for such technologies. Customers may be reluctant or unwilling to adopt the Group's new technologies. The Group may also have difficulty negotiating satisfactory terms for its technology services or may be unable to secure prices sufficient to obtain expected returns on its investment in the research and development of new technologies.

If the Group is not successful in upgrading existing rigs and equipment or building new rigs in a timely and cost-effective manner suitable to its customer needs, demand for its services could decline and it could lose market share. Moreover, the technologies that the Group may implement in the future may not work as it expects and its business, financial condition, results of operations and reputation could be adversely affected as a result. Additionally, new technologies, services or standards could render some of its services, drilling rigs or equipment obsolete, which could reduce its competitiveness and have a material adverse impact on its business, financial condition and results of operations.

2.1.14 Risks Related to Contracts with National Oil Companies (NOCs) or their Joint Ventures May Expose the Group to Greater Risks than those Assumed for Contracts with Non-Governmental Customers

As of 31 December 2021G, the Group's contracts with NOCs or their joint ventures, such as Saudi Aramco and KJO, amounted to 61.0 per cent. of the total value of its contracts. A feature of such contracts is that a significant number of terms are often non-negotiable (apart from pricing and mobilisation fees) and which may expose the Group to greater commercial, political and operational risks that the Group might otherwise expect to assume in such contracts, such as exposure to greater environmental liability and other claims for damages (including consequential damages) and personal injury related to its operations. Contracts with NOCs may also often be terminated by the customer with a shorter notice period, contractually or by governmental action, and under conditions that may not entitle the Group to an early termination payment. Therefore, the Group's exposure to such non-negotiable provisions in contracts with NOCs or their joint ventures, as well as any of the above factors, could materially adversely impact the Group's reputation, business, financial position, results of operation and cash flows.

2.1.15 Risks Related to Equipment Failure, Shutdowns or other Disruptions

The Group's operations are subject to risks of failure of equipment and other technical failures, lower than expected performance, equipment obsolescence and labour disruption. Each of the Group's rigs depends on several critical pieces of equipment and such equipment may, on occasion, be damaged or otherwise be out of service as a result of unanticipated failures, which would require the closure of part or all of the rig whilst repairs are conducted, causing a reduction in operations. To the extent spare or replacement parts cannot immediately be located onsite or within a short period of time, the Group may be forced to order new equipment which could result in prolonged periods of partial or total shutdown while the new equipment (or replacement part) is delivered.

Any interruption in production, whether as a result of unanticipated malfunction, power shortages, equipment failure, human error or other causes, would result in lower production levels and reduced revenue, and (to the extent not provisioned for) could require significant and unanticipated capital expenditure to effect repairs. If there are disruptions or delays in the ability to undertake projects due to the lack of proper equipment, its failure, contracted suppliers experiencing shortages or operational problems, or suppliers are otherwise unable or unwilling to supply the requisite replacement items or equipment in the required quantities or at all, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

2.1.16 Risks related to Potential Business Mergers and Acquisitions Undertaken by the Group

The Group has previously acquired and may in the future merge with or acquire, other businesses to ensure its competitiveness, enhance its market position and/or expand outside of its current areas of operation. Any potential merger or acquisition may be undertaken to achieve more efficient use of resources, promote economies of scale and further enhance technical expertise within the Group. However, the Group may not realise the degree or timing of benefits of any such merger or acquisition that it anticipated when it first entered into the transaction. Anticipated synergies may not materialise, revenue improvements and cost savings may be less than expected and the resources acquired may not meet expectations requiring, in turn, substantial investment. Furthermore, there is a risk that the focus of management and other resources for running the Group's existing business will be diverted to integration projects with respect to the newly acquired business. The Group cannot guarantee that the integration of any such business will generate benefits for the Company and Group as a whole that are sufficient to justify the expenses it incurred or will incur in completing such transaction.

Furthermore, mergers and acquisitions can involve other risks, such as the target business not performing as well as expected following such merger or acquisition, the possible loss of key personnel within the target business and associated unanticipated events or liabilities (including other risks inherent in integrating the systems of the relevant business). The Group may also incur significant transaction costs, including administrative, legal and other advisory costs, expenses related to the integration process, or expenses associated with eliminating duplicate facilities or assets and the Group may not accurately assess the value, liabilities, strengths and weaknesses of the acquisition or investment targets. Therefore, any future merger or acquisition could impact the performance and risk profile of the Group and could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

It should also be noted that the Group acquires assets, particularly drilling rigs, as part of its usual business to meet the demand for its services and to ensure the availability of an appropriate alternative to its assets and drilling rigs in a manner that secures its business continuity and is line with its historical activity. For example, the Group concluded two agreements in May 2022G for the purchase two offshore drilling rigs of SAR 285.0 million per drilling rig. Purchases and acquisitions for the two rigs are expected to be completed in the second half of 2022G, subject to the relevant preconditions being met (for more information about the two drilling rig purchase agreements, see Section 12.5.1 (*Agreements with Key Suppliers*). However, reliance on the demand for the Group's services for the purpose of acquisitions involves risks, such as failure to enter into agreements with customers to provide drilling services after acquiring drilling rigs immediately or in general, or after completing upgrades and improvements, certifying equipment and meeting customer readiness requirements, or suspension of business by a customer under the terms of the relevant contract or otherwise. This may result in difficulty or delay in covering costs associated with acquisition, coupled with the need for the Group to re-certify equipment or meet other requirements for the customer or another customer for the purpose of using and deploying the relevant drilling rig, if possible. Acquisition and ownership of drilling rigs requires allocation of significant capital expenditure for the purpose of maintaining the drilling rigs, certifying equipment, meeting the requirements of various customers, or keeping up with technical and regulatory developments in the relevant industry, in addition to the need to effectively bring drilling rigs via logistical services enabling the Group to transport the drilling rigs from the seller to the shipyards and then to the specified drilling site. Accordingly, any of the factors above could affect the performance of the Group and its risk profile, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1.17 Risks Related to Public and Investor Sentiment Towards Climate Change, Fossil Fuels and Other ESG Matters

Changing public sentiment concerning fossil fuels, aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, has prompted efforts worldwide to promote the divestment of shares of non-renewable energy companies, as well as to pressure lenders and other financial services companies to limit or curtail activities with non-renewable energy companies.

Members of the investment community are also increasing their focus on environmental, social and governance ("**ESG**") practices and disclosures, including practices and disclosures related to greenhouse gases and climate change, in the energy industry in particular, and diversity and inclusion initiatives and governance standards among public companies more generally. As a result, the Group may face increasing pressure regarding its ESG disclosures and practices, regardless of the underlying disclosure requirements on the Exchange. Additionally, members of the investment community may screen the Company for ESG sustainability performance before investing in the Shares. Over the past few years there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG investments. As a result, there has been a proliferation of ESG focused investment funds seeking ESG oriented investment products. The Group is active is the fossil fuel industry and therefore, regardless of its ESG practices and disclosures going forward, it is unlikely to meet the standards of ESG investing. As a result, the Company may lose investors or investors may allocate a portion of their capital away from the Company, its cost of capital may increase, the Share price may be negatively impacted and its reputation may also be negatively affected.

2.1.18 Risks Related to Global Transition to Renewable or Other Alternative Energy Sources

The transition to renewable and other alternative energy sources may impact global oil and gas demand. In addition, it may require the Group to adapt certain parts or its operations to potentially changing government requirements, customer preferences and to a potentially changing customer base. In connection with the 26th UN Climate Change Conference of the Parties (COP26) in 2021G, the Kingdom announced a pledge to cut its carbon emissions to net zero by 2060G. Energy transition may adversely affect the demand for the Group's services and this trend may be more rapid and pronounced than the Group anticipates. Furthermore, if investors or financial institutions shift funding away from companies in fossil fuel-related industries, the Group's access to capital or the market for the Shares could be negatively impacted.

2.1.19 Risks Related to the Group's Aspirations, Goals, Commitment Targets and Initiatives Related to Sustainability

The Group has developed, and will continue to develop and set, goals, targets, and other objectives related to sustainability matters, including its commitment target to reduce its greenhouse gas emissions. Statements related to these goals, commitment targets and objectives reflect its current intentions and do not constitute a guarantee that they will be achieved. The Group's efforts to research, establish, accomplish, and accurately report on these goals, commitment targets, and other objectives expose it to numerous operational, reputational, financial, legal, and other risks. The Group's ability to achieve any stated goal, commitment target, or objective, including with respect to emissions intensity reduction, is subject to numerous factors and conditions, some of which are outside of its control.

The Group's business may face increased scrutiny from investors and other stakeholders related to its sustainability activities, including the goals, commitment targets, and other objectives that it announces, and its methodologies and timelines for pursuing them. If the Group's sustainability assumptions or practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, its reputation, ability to attract or retain employees, and attractiveness as an investment or business partner could be negatively affected. Similarly, the Group's failure or perceived failure to pursue or fulfil its sustainability-focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters could adversely affect the Group's reputation or business, as well as expose us to government enforcement actions and private litigation.

2.1.20 Risks Related to Related Party Transactions and Agreements

In its ordinary course of business, the Company enters into agreements with certain Related Parties and/or affiliates, including Substantial Shareholders, its wholly owned subsidiary and companies where certain Directors are board members and/or senior executives (see Section 12.11 (*Related Party Contracts and Transactions*)). All such transactions are entered into pursuant to written agreements governing the contractual relationship between the parties. All the Company's transactions and agreements with the Related Parties are concluded on an arm's length basis. Such transactions and agreements with Related Parties currently in place, in which some Directors have a direct or indirect interest, have been approved by the General Assembly at its meeting held on 4 Ramadan 1443H (corresponding to 5 April 2022G), as required.

Related Party transactions are reflected and recorded in the audited consolidated financial statements in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, as applicable (see Section 19 (*Financial Statements and Auditors' Report*)). The total amount payable to Related Parties by the Company was SAR 12.1 million during the financial year ended 31 December 2019G, comprising 0.3 per cent. of the Company's total liabilities in the same period, and none during the financial years ended 31 December 2020G and 2021G. The total amount of trade receivables from Related Parties by the Company were SAR 320.2 million, SAR 378.9 million and SAR 569.4 million during the financial years ended 31 December 2019G, 2020G and 2021G, respectively, comprising 30.7 per cent., 72.5 per cent. and 81.8 per cent., respectively, of the Company's total receivables in the same periods. The total value of revenues from transactions with Related Parties amounted to SAR 0.8 billion, SAR 2.5 billion, and SAR 2.2 billion during the financial years ended 31 December 2019G, 2020G and 2021G, respectively, comprising 29.8 per cent., 99.7 per cent. and 99.6 per cent., respectively, of total revenues of the Company in the same periods.

If contracts and transactions with Related Parties are not executed in accordance with written agreements, not concluded on an arm's length basis, or not approved by the General Assembly (to the extent any Director has a direct or indirect interest), this may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.21 Risks Related to Engagement of Directors or Senior Executives in Business Competing with the Group's Business

As of the date of this Prospectus, some of the Directors were engaged in competing businesses with the Group through their respective roles as senior executives in businesses similar to or directly or indirectly competing with the Group's business. In particular, Vijay Kasibhatla, one of the Directors, is the Director of Mergers and Acquisitions of Schlumberger Limited, which carries out activities competing with those of the Group, namely, drilling rig services, which creates a conflict of interest between the Group's business on the one hand and that of the said Director on the other hand. Participation by Vijay Kasibhatla in competing activities via her respective role as senior executives in Schlumberger Limited was approved by the General Assembly at its meeting held on 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G) (for further information about the business of Directors and Senior Executives that competes with the Group's business, see Section 5.7 (*Conflicts of Interest*)). Otherwise, none of the Company's Directors or Senior Executives are participating in activities that compete with the Group. However, some of them may compete with the Group in the future either through their membership in boards of directors or through ownership of businesses that fall within the scope of the Group's business, and such businesses are similar to, or directly or indirectly compete. The Directors and Senior Executives can access the internal information of the Group and may use that information for their own interests or in contradiction with the Group's interests and objectives. If the Directors and Senior Executives who have interests conflicting with the Group have a negative influence on the Group's decisions, or if they use the information available to them about the Group in a way that harms its interests, this will have a material adverse effect on the Group's business, results of operations, financial position and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Group or any similar obligation in relation to the Group's business. However, to engage in businesses competing with the Group, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

2.1.22 Risks Related to Dependence on Third Parties, Distributors, Manufacturers and Strategic Partners

The Group relies on third party equipment manufacturers and sub-contractors. In particular, the Group may sub-contract certain refurbishment and maintenance processes and suppliers for catering and other rig-related services, among others. In the financial years ended 31 December 2019G, 2020G and 2021G, the Group's purchases from its top five suppliers, including suppliers of rigs, spare parts, and equipment and materials, was SAR 200.0 million, SAR 146.0 million and 122.0 million, respectively, accounting for 26.9 per cent., 35.7 per cent. and 26.9 per cent. of total Group's purchases, respectively, in the same periods. In many of the Group's rig locations, there are few or no repair facilities in close proximity that have the facilities and capability to perform the upgrade, repair refurbishment and contributions required (particularly if large steel involvement is needed). If there are no local facilities, or should a local facility close, the Company may face long lead times for certain critical equipment delivery or repairs or be required to deactivate rigs and transport them to complete the necessary surveys, upgrades, and maintenance requirements. This may have a negative impact on rig utilisation rate due to the additional transport time needed or would lead to increased costs associated with upgrading and maintaining the Group's fleet and certifications.

In addition, the Group is required to have its well control equipment for each rig certified every three to five years by the original suppliers of such equipment. If such suppliers are unable to perform such certification for any reason at the required times, the Group will be unable to operate the affected rigs without such certification, which will have a material adverse impact on the utilisation rate of such rigs, and the Group may have to spend an amount ranging from SAR 1.0 million to SAR 10.0 million per rig to replace such well control equipment. See also Section 2.2.11 (*Risks Related to Certification of Rigs*)

Moreover, to the extent the Group does not engage sub-contractors or acquire equipment or materials according to its plans or budgets, the Group's ability to continue its operations in a timely fashion or at a profit may be impaired. For example, as the demand for certain drilling equipment, such as well pipes or wells control equipment continues to build up, the actual lead times for such drilling equipment may exceed the Group's estimated delivery times that it has used for the purpose of submitting bids on drilling contracts. In addition, a sub-contractor or manufacturer may be unable to deliver its services, equipment or materials according to the pre-agreed terms or on time. In such cases, the Group may be required to purchase such services, equipment or materials from another source and possibly at a higher price and/or with delay, or even be unable to find a replacement. As a result, the failure of a sub-contractor or manufacturer to deliver such services, equipment or materials on time or at all could adversely affect the Group's business, results of operations or financial conditions.

2.1.23 Risks Related to Rig Operations Being Exposed to Catastrophic Events or Acts of Terrorism Over Which the Group Has No Control

The locations in which the Group operates may be susceptible to natural disasters (such as fires or storms), political, social and economic instability, civil disturbances or similar catastrophic events, including:

- changes to predominant natural weather, hydrologic and climate patterns, including rise in sea levels;
- major accidents, including chemical, radioactive or other material environmental contamination;
- major epidemics affecting the health of persons in the region or travel into the region (such as the COVID-19 pandemic);
- fires or accidents resulting from rig operations; and/or
- criminal acts or acts of terrorism. In particular, critical oil infrastructure in the Middle East, including the Kingdom, has been attacked in the past, causing damage to physical assets and resulting in oil production disruption.

The occurrence of any of these events at one or more of the Group's rig operations or in any city or region where the Group operates may cause disruptions to its operations, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects. In addition, such an occurrence may increase the costs associated with rig operations, subject the Group to liability or impact its recognition and reputation and may otherwise hinder the normal operation of operations on the rigs, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.24 Risks Related to Adverse Changes in Exchange Rate

The Group's results of operations may be affected by volatility in currency exchange rates and the Group's ability to effectively manage its currency risks. In the financial years ended 31 December 2019G, 2020G and 2021G, 37.9 per cent., 39.1 per cent. and 35.1 per cent. of the Group's purchases equipment and materials were in foreign currencies. If the Kingdom's policy of pegging the Saudi Arabian Riyal to the USD were to change in the future, the Group may experience a significant increase in the SAR denominated costs of its operations. As the Group has not concluded any hedging agreements to reduce its currency risk exposure, changes in foreign exchange rates could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.25 Risks Related to Collection of Receivables

The total receivables due to the Group 365 days past their due date amounted to SAR 43.7 million, SAR 22.6 million and SAR 0.1 million, for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, while the provisions for doubtful debts made against the total receivables due amounted to SAR 30.7 million, SAR 10.3 million and SAR 3.4 million, respectively, for the same periods. Should the Group's customers dispute the invoiced amounts by the Group or should they face any financial difficulties, it may lead to an increase of uncollected invoices and total receivables past their due dates. The customers' ability to perform their obligations under the contracts, including their ability to pay the Group or fulfil any indemnity obligations may also be impacted by economic or oil and gas exploration and production industry downturn or other adverse conditions (including the recent COVID-19 pandemic) in the oil and gas exploration and production industry. Any failure to make payments when due could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Moreover, there are no specific payment terms in the drilling agreements with Saudi Aramco and amounts become due after the certification of the invoices by Saudi Aramco. Failure of Saudi Aramco to certify such invoices in a timely manner or at all will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.26 Risks Imposed by Financing

To fund its operations, the Group relies on financing facilities from commercial banks. The Group's total outstanding bank loans were SAR 2.5 billion, SAR 2.0 billion and SAR 1.4 billion, corresponding to the debt-to-equity ratio of 69.7 per cent., 51.6 per cent. and 32.9 per cent. as of 31 December 2019G, 2020G and 2021G, respectively. In addition, the Group had obligations under letters of credit amounting to SAR 38.3 million as of 31 December 2021G in connection with its purchase of materials. For further details, see Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*). As a result of the SAR 2.0 billion Sukuk issued by the Company in January 2022G, the Group's debt-to-equity ratio increased to 77.6 per cent. as of the closing of the Sukuk issuance.

Certain of the Group's existing financing arrangements contain covenants that imposes operating and financial restrictions on the Group. Such restrictions include: (i) a requirement to maintain certain current, maximum leverage ratios; (ii) restrictions on a change of control of the Group; and (iii) limitations on incurring further indebtedness. Such restrictions may affect the Group's flexibility in planning for, and reacting to, changes in its business or economic conditions and otherwise prohibit or limit its ability to undertake certain business activities without the consent of its lenders. The Group's ability to comply with such covenants and restrictions may be affected by events beyond its control, and there is no guarantee that the Group would be able to obtain the lenders' consent to waive or amend covenants that are necessary or beneficial for the Group's business, which may have an impact on the Group's performance. For example, the Group was in breach of its current ratio covenant (the ratio of current asset coverage over current liabilities) in the financial year ended 31 December 2019G, against which waivers were obtained. Any request for waivers or amendments may result in increased costs to the Group, or also lead lenders to modify the terms of the existing financing arrangements or impose additional operating and financial restrictions. If the Group is unable to comply with any of the covenants in its current or future financing arrangements and/or are unable to obtain a waiver or amendment, a default could occur under the terms of such agreements, and could lead to acceleration or enforcement of repayment of such financing arrangements. In such circumstances, there can be no assurance that the Group would be able to access sufficient alternative funding to meet all such repayments. In addition, the lenders are generally assigned proceeds from certain material business contracts and insurance claims for the purpose of securing the Group's debts and obligations, pursuant to the terms of the financing agreements with respective lenders (for further details on collateral, undertakings and material terms of the Group's financing agreements, see Section 12.6 (*Financing Agreements*)). The Group's reliance on financing facilities to finance its business constitutes a risk in itself due to the possibility of their termination for violations of any of their conditions or expiration of their respective terms, without the same being renewed. The financing agreements concluded with Saudi Fransi Bank or The Saudi National Bank (as a result of the merger of The National Commercial Bank with Samba Finance Group) are being renewed as of the date of this Prospectus. The occurrence of any of the above events will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

For its business expansion, the Group also relies, among other things on, its ability to secure additional financing. The Group's ability to obtain adequate external financing or refinance its existing financings depends on several factors, including its financial performance and results of operations, as well as other factors beyond its control, such as macroeconomic conditions, financial market conditions, international interest rates, the availability of financing from banks or other financiers, investor confidence in the Group and economic and political conditions in the Kingdom. If the Group is unable to obtain any required financing or refinance its existing financings in a timely manner, at a reasonable cost, on acceptable terms, or at all, it may be required to scale back, defer, curtail or abandon its investments or any planned operations. This would have a material adverse effect on the Group's future strategy, business, results of operations, financial position and prospects.

In addition, there may be other significant negative consequences related to the indebtedness, as well as a number of financial obligations, both current and future, in addition to some contractual obligations, including:

- allocation by the Group of a significant portion of the cash flow from operations to repay its debts and consequently reduction of the funds available to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments into new rigs to support the growth of its business;
- increasing the Group's vulnerability to adverse economic and oil and gas industry conditions, which could place it at a competitive disadvantage compared to its competitors that have relatively lower indebtedness;
- increasing the Group's cost of borrowing and causing it to incur substantial fees from time to time in connection with debt restructuring or refinancing as the Group's external financing arrangements are greatly affected by interest rates, which are deemed highly sensitive to factors beyond the control of the Group, including Government, monetary and tax policies, as well as domestic and international economic and political circumstances. Higher interest rates and related finance charges may lead to reductions in the Group's cash flow. Accordingly, adverse fluctuations in interest rates would have a material adverse effect on the Group's business, financial position, results of operations and prospects; and
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and the oil and gas industry.

The occurrence of any of the aforementioned factors could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.27 The Group's Ability to Generate Sufficient Cash to Service its Debt Obligations and Operations Depends on Many Factors Beyond its Control

The Group's ability to meet its debt service obligations, including under the Sukuk (see Section 12.8 (*Sukuk Programme Agreements*)) and other financing arrangements (see Section 12.6 (*Financing Agreements*)), or to refinance debt or to fund working capital and capital expenditures, depends on its future operating and financial performance, which will be affected by its ability to successfully implement its business strategy as well as general economic, financial, competitive, regulatory and other factors beyond its control. No assurances can be given that the Group's business will continue to generate sufficient cash flow from its operations, that currently anticipated cost savings, revenue growth, expansion plans and operating improvements will be realised or that future debt or equity financing will be available in an amount sufficient to enable the Group to pay its debts when due, including the Sukuk, or to fund other liquidity needs, including the repayment at maturity of any outstanding financing arrangements, which may be required to be repaid prior to the maturity of the Sukuk.

If insufficient cash is generated or if future cash flows from other capital resources (including existing borrowings) are insufficient to meet the Group's obligations as they mature or fund its liquidity needs, the Group may, among other things, be required to restructure or refinance all or a portion of its debt, obtain additional financing, delay planned capital expenditures or investments or sell material assets. Any failure to make payments on the Sukuk or under any other borrowings on a timely basis would likely adversely affect its ability to incur additional indebtedness. Any refinancing of the Group's debt could be at higher interest rates or may require the Group to comply with more onerous covenants, which could further restrict its business, financial position, results of operations and prospects. There can be no assurance that any assets which could be required to be disposed can be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale will be acceptable, which will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.28 Risks Related to The Group Being Exposed to a Range of Financial Risks, Including Interest Rate Risk

Financings under the Group's current financing agreements are at variable rates of interest. Accordingly, unhedged increases in the reference interest rates underlying its current facilities would increase its finance charges and reduce its cash flows. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, international domestic economic and political conditions, and other factors beyond the Group's control. In response to the current inflationary environment, central banks in certain jurisdictions have increased interest rates and may continue to do so in the coming periods, further impacting the cost of financing. From time to time, the Group may elect to hedge interest rate exposure, but such hedging may be costly and may not fully insulate it against increases in interest rates. Therefore, an increase in interest rates and related financing costs may lead to reductions in the Group's profitability and cash flow, which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.29 Risks Related to Reliance on Executive Management and Key Personnel

The Group relies on the efforts, diligence, skill, network of business contacts and close supervision of its Executive Management team and other key personnel for the implementation of its strategy and its day-to-day operations. It is expected that the operating complexity of the Group's business and the responsibility of its Executive Management will continue to increase in the future. Competition for appropriately qualified personnel with the relevant expertise in the Kingdom is high. If one or more members of the Group's Executive Management team or key personnel were to resign, the loss of such personnel could result in, among other things, a disruption in organisational focus, poor execution of operations, and a failure or delay to achieve some or all of its business strategies and may require the diversion of management resources. In addition, its future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. The loss of services of an Executive Management member or key employee could prevent or delay the implementation and completion of its strategic objectives and divert the management's attention to seek qualified replacements. This could adversely affect the Group's ability to manage its business effectively. Moreover, any member of the Executive Management, as well as any of the key employees, may resign at any time. Losing the ability to hire and retain key executives and employees with high levels of skills in the relevant domains will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

In addition, demand for engineers and other technical and management personnel is traditionally high and could exceed supply, particularly in the case of skilled and experienced engineers and field service personnel. Recruitment efforts may also be challenged by the remoteness of, or perceived dangers of travelling to, the various locations in which the Group's rigs operate, recruiting staff who are capable of strenuously adhering to high standards of safety, and the need to employ a specified percentage of local workers under nationalisation policies in the Kingdom, all of which may be problematic if there is insufficient interest from local workers or such workers lack the requisite education, qualifications, skillset and expertise. As a result, the Group may need to invest significant financial and human resources to attract and retain new employees and it may not realise returns on these investments. Moreover, where the demand for drilling services and rigs increases, shortages of qualified personnel globally could arise, leading to higher wages and preventing the Group from attracting qualified individuals in a cost-efficient manner.

The Group also relies on certain non-Saudi employees to provide technical and management expertise in its operations. Any changes in local laws and regulations which adversely impact expatriates may cause an out flux of workers from the Kingdom or expatriate workers opting to work in other countries, enhancing the difficulty of the Group in retaining necessary non-Saudi employees and disrupting the operations of the Group. The Group also pays the costs for the required government fees for non-Saudi employees for any work and residency permits required by that employee and, in some cases, their dependents. Should such fees be increased in future, the Group may be forced to bear the increased costs to retain the requisite non-Saudi employees for their technical and management expertise, resulting in an increase in the Group's costs and expenses, adversely affecting its business, profits and results of operations.

While contracts are regularly reviewed, there can be no assurance that all, or any, of potential increases in employee costs as a result of labour shortage, wage inflation or increased government fees would be passed on to the Group's customers. If such costs are not effectively passed on to its customers, the Group may be unable to retain adequate skilled personnel or experience increased costs, adversely affecting its results of operation.

2.1.30 Risks Related to Employee Misconduct and Errors

Employee misconduct or errors could lead to the Group being in violation of applicable laws and regulations, which would result in regulatory sanctions being imposed on the Group by the competent regulatory authorities. Such sanctions would vary according to the misconduct or error and would cost the Group financial liability and serious damage to its reputation. Such misconduct or errors may be non-compliance with applicable laws or internal controls and procedures, including failure to duly document transactions in accordance with the Group's standardised documentation and processes (or failure to seek appropriate legal advice in relation to nonstandard documentation, as required by the Group's internal policies) or to obtain proper internal permission or authorisation. The Group may also face claims and litigation for the harm or other adverse effects caused by such errors (see also Section 2.1.33 (*Risks Related to Litigation*)). If employees commit any such misconduct or errors, it will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.31 Risks Related to Employing and Sponsoring Non-Saudi Employees

As per the applicable laws and regulations of the Kingdom, a non-Saudi employee may generally only work for his/her sponsor and employer. As of the date of this Prospectus, a total of two employees (of the Company's 3,913 employees) are working for the Company, pursuant to certain contractual arrangements with their employers, rather than employment agreements with such employees; noting that the said employees are under the sponsorship of the Company. Despite the sponsorship of the said employees by the Company, regulatory obligations in connection with the employer relationship are generally not observed and fulfilled by the Company, including for example payment of wages and providing health insurance, as no contractual employment agreements are executed in connection with the same. Therefore, the Company may be subject to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Company from recruiting non-Saudi employees or from renewing the residence permits of current employees. This may also lead to the Company losing a large number of its employees where the competent authorities decide to deport any violating employees, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

MHRSD has officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, and activate contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation program. The job mobility service also allows the expatriate workers to switch to another job upon the expiry of his/her employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows the expatriate workers to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables the expatriate workers to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all the consequences of the termination of the contract. All these services are already available through Absher and MHRSD's Qiwa platform. As a result, the Company may be adversely affected if a large number of employees decide to switch to other companies, and then the Company will not be able to prevent them except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Company lose a large number of its employees due to such employees switching to other companies and be unable to hire new employees to replace them, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks Related to Failure to Secure Adequate Insurance Coverage

The Group maintains insurance or otherwise insures 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. In addition, given the increasing volatility and complexity of the markets in which the Group operates, certain types of risks and losses are either uninsurable or uneconomical to insure, (for example, among others, risks or losses relating to war, terrorism, geopolitical climate, threats to cyber security, currency fluctuation, general economic crisis and inadequate succession planning). Furthermore, it may be difficult to identify appropriate insurance solutions to cover these risks, given the complexity of operations conducted by the Group.

The occurrence of an uninsured or uninsurable loss could result in the loss of all or part of the capital invested in, or unrecoverable costs incurred to rectify the loss or pay compensation and anticipated future revenues relating to, any operation that is damaged or destroyed. The Group may also remain liable for any debt or mortgage, indebtedness or other financial obligations related to the relevant operation or rig. The occurrence of any such event could have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details on insurance policies, see Section 12.9 (*Insurance Policies*)).

2.1.33 Risks Related to Litigation

The Group may be involved as claimant or defendant in lawsuits and regulatory proceedings related to its business operations with multiple parties, including suppliers, customers, employees or regulatory authorities. The Group may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such lawsuits and regulatory proceedings would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

In addition, regardless of their outcomes, any lawsuits or regulatory proceedings could result in substantial costs and may require that the Group allocates substantial resources to defend against these lawsuits and regulatory proceedings, which would have a material adverse effect on the Group's business, financial position, and results of operations and prospects.

As of the date of this Prospectus, there are three labour cases filed against the Group, with the total amount claimed against the Group amounting to around SAR 0.1 million (for further details on the Group's litigation, see Section 12.14 (*Litigation*)).

2.1.34 Risks Related to Protection of Intellectual Property Rights

As of the date of this Prospectus, the "Arabian Drilling" trademark (in both Arabic and English), which the Company depends on to conduct its related business, is not registered with the Saudi Authority for Intellectual Property but the Company commenced the registration process for the "Arabian Drilling" trademark with the Saudi Authority for Intellectual Property. There is no guarantee that the application for registration of the "Arabian Drilling" trademarks will be successful. If the Group fails to successfully register and protect its intellectual property rights for any reason, or if any third party misuses the Group's intellectual property or damages its reputation, the value of the Group's trademark may be harmed. Any damage to the Group's reputation could result in lower demand for its services, which could have an adverse effect on its business, results of operations, financial position and prospects.

In addition, the Group may from time to time be required to renew the registration of the trademarks ("Arabian Drilling", "Ofsat" or others), register new trademarks or initiate litigation to protect its rights to trademarks and other intellectual property. Third parties may also assert that the Group has infringed or otherwise violated their intellectual property rights, which could lead to litigation against the Group. Outcomes of litigation to confirm the Group's rights with respect to its intellectual properties are uncertain and could result in substantial costs and allocation of financial resources to cover the expenses of such litigation, which would negatively affect the Group's income and profitability regardless of whether the Group is able to successfully enforce or defend its intellectual property rights. The occurrence of any of the above would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.35 Risks Related to Potential Zakat Liability and Tax

The Company submitted all its Zakat returns, settled Zakat charges payable, and obtained certificates from ZATCA for all years up to 31 December 2021G. The Company also received Zakat assessments for all years until 2015G and paid all Zakat liabilities up to that period. ZATCA has not submitted the final assessments of Zakat or any additional requests or amendments regarding the assessment of Zakat liabilities of the Company for the financial years 2015G to 2021G. The ZATCA has also issued additional zakat and tax assessments related to the Subsidiary for certain years which are under various stages of appeal. Accordingly, the final amount of potential Zakat liabilities of the Company for 2015G to 2021G remain uncertain (see Section 11 (*Declarations*)). The Group is also subject to income tax and makes relevant provisions in its budget and financial statements for such expenses. Where the final zakat or tax outcome is different from the amounts that were initially recorded, such differences will impact the zakat and tax provision in the year in which such determinations are recorded. These could negatively affect the Group's projected net income and retained earnings.

The Selling Shareholders made an undertaking dated 19 Ramadan 1443H (corresponding to 20 April 2022G) to bear any future additional amounts of Zakat imposed by ZATCA on the Company in relation to previous years and up to the Admission. Should ZATCA issue Zakat assessments on the Company and require it to pay additional Zakat amounts for the years for which the Company did not receive the final assessment and should the Selling Shareholders default on their undertaking to pay such additional amounts, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.36 Risks in Connection with the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors

In connection with the preparation of its financial statements, the Company is using certain accounting assumptions, estimates and judgments related to complex accounting matters, varying interpretations of which could significantly affect the Company's financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Group's business, including but not limited to, revenue recognition, fair value of investments, impairment of long-lived assets, leases and related economic transactions, intangibles, taxes, property and equipment and litigation, are highly complex and involve many subjective assumptions, estimates and judgments by the Company, creating room for errors. Changes in the underlying assumptions, estimates or judgments, as well as the corresponding errors, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.37 Risks Related to Newly Implemented Corporate Governance Rules

Following the Company's conversion to a joint stock company on 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), the Board approved the internal Corporate Governance Manual, effective from 25 Sha'ban 1443H (corresponding to 28 March 2022G). Such manual includes, among others, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by CMA. The Company's success in proper implementation of corporate governance will depend on the understanding of such rules and their proper implementation by the Board of Directors, its Committees and Senior Executives, as well as proper training of the Board and its Committees' members on corporate governance rules and procedures, independence requirements, rules related to conflict of interests and Related Party transactions. Failure to comply with the corporate governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by CMA, would subject the Company to regulatory penalties, which would have a material adverse effect on the Company's reputation, operations, financial position, results of operations and prospects.

2.1.38 Risks Related to Failure by the Audit Committee, the Nomination and Remuneration Committee to Perform their Duties as Required

The Audit Committee was formed by a resolution of the General Assembly on 14 Sha'ban 1443H (corresponding to 17 March 2022G), and the Nomination and Remuneration Committee was formed by a resolution of the Board on 14 Sha'ban 1443H (corresponding to 17 March 2022G). The charters of such Committees were adopted by resolutions of the General Assembly on 4 Ramadan 1443H (corresponding to 5 April 2022G), in accordance with the Corporate Governance Regulations and the Company's Corporate Governance Manual (for further details, see Section 5.3 (*Board of Directors Committees*)). Any failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interests of the Company and its Shareholders, may affect the Company's compliance with the Corporate Governance Regulations and continuous disclosure requirements issued by CMA, and the Board of Directors' ability to monitor the Company's business through these committees, which would have a material adverse effect on Company's business, financial position, results of operations and prospects.

2.1.39 Risks Related to Lack of Experience in Managing a Listed Joint Stock Company

The Company has been operated as a limited liability company since 19 Muharram 1420H (corresponding to 5 May 1999G), and as a closed joint stock company since 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G). Accordingly, the Senior Executives have limited or no experience in managing a publicly listed joint stock company and complying with the laws and regulations applicable to such companies. Once listed on the Exchange, the Company will have to issue its annual audited consolidated financial statements within a period of no more than three months from the end of each financial year and its quarterly reviewed consolidated financial statements within 30 days from the end of each quarter, in order not to be in violation of the laws and regulations applicable to companies listed on the Exchange. The Company's audited consolidated financial statements for the two financial years ended 31 December 2019G and 2020G were issued more than 90 days after the end of the Company's financial year. Therefore, if the Company fails to issue its annual audited consolidated financial statements within 90 days from the end of the Company's financial year, if it fails to disclose and include material financial information in its audited consolidated financial statements, or if it fails to comply in a timely manner with any of the other laws, regulations and disclosure requirements applicable to listed companies, it will subject the Company to regulatory penalties and fines, and it will result in decreased investors' confidence, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2 Risks Related to the Market, Industry, and Regulatory Environment

2.2.1 Risks Related to General Economic Conditions

General economic conditions may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Declines in consumer confidence and/or consumer spending, changes in unemployment, significant inflationary or deflationary changes or disruptive regulatory or geopolitical events, including the ongoing armed conflict in Ukraine, could contribute to increased volatility and diminished expectations for the economy, including the market for the Group's services, and lead to demand or cost pressures that could negatively and adversely impact the Group's business, results of operations, financial condition and prospects. The Saudi economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions and protectionist trade policies or threats thereof. In particular, a global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could slow non-oil growth in the Kingdom. These conditions could affect all of the Group's business segments. Examples of such conditions could include:

- a general or prolonged decline in, or shocks to, regional or broader macro-economies;
- regulatory changes that could impact the markets in which the Group operates; and
- deflationary economic pressures, which could hinder the Group's ability to operate profitably in view of the challenges inherent in making corresponding deflationary adjustments to its cost structure.

Spending by the Group's customer base can also be impacted by conditions in capital markets which may be impacted by the general economic conditions. Limitations on the availability of capital or higher costs of capital may cause companies to make additional reductions to their spending on exploration, development or production, even if oil and natural gas prices increase. Any such cuts in spending will limit drilling activities, as well as discretionary spending on rig services, which may result in a reduction in the demand for the Group's services, the rates the Group can charge and the utilisation of relevant assets.

The nature of these types of risks makes them unpredictable and difficult to plan for or otherwise mitigate, compounding their potential impact on the Group's business, results of operations, financial condition and prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in the Middle East Region

The Group's assets, operations, and customer base are situated in the Kingdom. The wider Middle East region is subject to several geopolitical and security risks that may impact the geographies in which the Group operates. Moreover, as the political, economic and social environments in the Middle East region remain subject to continuing developments, investments in the Middle East region are characterised by uncertainty. Any unexpected changes in the political, social, economic or other conditions in the Middle East region may have a material adverse effect on the markets in which the Group operates, its ability to retain and attract customers in such regions, and investments that the Group has made or may make in the future, which in turn would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.3 Risks Relating to the Drilling Industry Being Historically Competitive, Cyclical and Subject to Intense Price Competition

The offshore and onshore drilling industry in which the Group operates is highly competitive with numerous industry participants, and contracts have traditionally been awarded on a competitive bid basis, which involves significant price competition. Customer considerations include rig availability, location, operational and safety performance records and age and condition and suitability of equipment. In addition, if competitors enter into joint venture or similar agreements with some of the Company's largest customers (as is, for example, the case with SANAD, a joint venture between Saudi Aramco and Nabors, a land rig contractor; as well as ARO, a joint venture between Saudi Aramco and Rowan (now renamed Valaris), an offshore rig contractor), this could make it more difficult for the Group to maintain business with, or obtain additional contracts from, these customers.

Competition for offshore rigs is frequently on a global basis, as offshore drilling rigs are mobile and may be moved from areas of low utilisation and day rates to areas of greater activity and correspondingly higher day rates. Costs connected with relocating offshore drilling rigs for such purposes are sometimes substantial and are generally borne by the contractor. In addition, the Company may enter into lower day rate or more flexible drilling contracts in response to market conditions, such as the COVID-19 pandemic, which reduces the revenues the Company could earn from such contracts. If the Group is unable to compete successfully with its competitors, the revenue and profitability of the Group may suffer.

The offshore and onshore drilling industry have also historically been cyclical, with periods of high demand, limited supply and high day rates and periods of low demand, excess supply and low day rates. Periods of low demand and excess supply intensify competition in the industry and may result in some drilling rigs being stacked or earning substantially lower day rates, or even nil rates (for periods of non-production) for longer periods of time. Such periods may persist for extended periods of time. As of 31 December 2021G, 37 of the 45 rigs (31 onshore and six offshore), excluding two rigs held for sale, were contracted and utilised, with eight other rigs not in operation (of which three were contracted but temporarily suspended, one was contracted but has yet to commence operations, four were uncontracted and idle). As of the date of this Prospectus, three onshore rigs have resumed drilling operations between January and June 2022G and another offshore rig has resumed drilling operations in April 2022G, and one of the two rigs held for sale, was sold in January 2022G. Any prolonged periods of low or nil day rates and idle and stacked rigs not utilised due to market conditions that may not return to service in the near term could materially adversely affect the Group's revenue. Moreover, intense competition may result in price reductions and lower gross margins. Any period of low or declining oil and gas prices may also result in consolidation among potential customers (resulting from a reduction in the number of independent players focused on activities with higher marginal cost of production and the concentration of larger-scale operators capable of exploiting potential synergies) and among competitors (in engineering, construction and drilling). Any of these trends could result in the Group operating in a more competitive environment, which could have a material adverse effect on its business, financial position, results of operations and prospects.

2.2.4 Risks Related to Changes in the Regulatory Environment

The Group and its operations are subject to a wide range of laws and regulations, including those relating to labour (including Saudization), tax and zakat, exports, management of natural resources, use of hazardous substances and explosives, rig safety, historic and cultural preservation, and environmental protection and health and safety. The compliance costs associated with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations could result in additional compliance expense, potentially increased capital expenditure, and restrictions on, or suspensions of, certain of the Group's operations.

New laws and regulations, lack of understanding by the Group of existing laws and regulations or the change in their interpretation or application by the relevant authorities may materially affect the Group's business and operations or increase its administrative, legal and operational expenditure, forcing it to alter its commercial practices, legal organisation, ownership structure and corporate governance of subsidiaries or, more generally, reduce or limit its revenue in the future. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. The Group may be subject to fines, penalties and/or closure of its facilities, including its rigs, if it does not comply with those laws and regulations or if it does not comply with the permitting, licensing or accreditation requirements, which may change from time to time. As a result, the Group may be unable to pursue activities, it may face increased costs or harm to its reputation, it could be delayed or prevented from meeting customers demand, operating rigs, or implementing its growth plan, and more generally it may lead to the Group losing its competitive position and/or to a decreased demand for the Group's drilling services. Accordingly, this would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Moreover, legal requirements are frequently changed and may need to be interpreted. This may lead to the Group incurring significant expenditure, modify its business practices to comply with existing or future laws and regulations, or restricting the Group's ability to conduct business. This would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.5 Risks related to Unanticipated Costs Related to Compliance with Health and Safety and Environmental Laws and Regulations

The Group has adopted safety standards to comply with applicable laws and regulations in the Kingdom. Safety requirements are also contractually agreed with its customers. If the Group and/or its customers fail to comply with the relevant standards, either or both may be liable for penalties and the business and/or reputation of the Group might be materially and adversely affected.

There can be no assurance that the Group will not be subject to potential liability, including remediation obligations with respect to any environmental contamination or liability in the event of an accident at one of its rigs. If an environmental liability arises in relation to, or an accident occurs at, any rig owned or operated by the Group and it is not remedied, is not capable of being remedied or is required to be remedied at the cost of the Group, this may have a material adverse effect on the relevant rig, its reputation and its business, financial position, results of operations and prospects, by virtue of the cost and reputational implications for the Group.

The legal framework in the Kingdom and the wider MENA region for environmental protection and health and safety compliance is continuously changing and there can be no assurance that stricter regulations, restrictions or requirements will not be introduced in future, such as regulations on discharges into air and water, the handling and disposal of solid and hazardous waste, land use and reclamation and remediation of contamination. Amendments to existing laws and regulations relating to health and safety standards and the environmental may impose more onerous requirements on the Group and subject its rigs and operations to more rigorous scrutiny than is currently the case. The Group's compliance with such laws or regulations may necessitate further capital expenditure or subject it to other obligations or liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

Any failure to comply with such increased obligations or responsibilities may result in reputational damage to the Group, administrative and civil penalties, criminal sanctions or suspension or termination of the Group's operations. Any such sanctions may also not be covered by any contractual indemnification or insurance and could have a material adverse effect on the Group's business, financial position, results of operation and prospects.

2.2.6 Risks Related to Non-compliance with Applicable Anti-corruption Laws or Sanctions

The Group's operations are subject to risks associated with fraud, bribery, corruption, and is required to comply with all necessary laws including those relating to anti-corruption, anti-bribery, anti-money laundering and sanctions. For instance, the Group may be required to comply with certain restrictions, such as imposed by the U.S. Foreign Corrupt Practices Act and other similar laws, as well as sanctions imposed by various jurisdictions and institutions, including (but not limited to), the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the European Union, the United Nations, Her Majesty's Treasury and other UK authorities. The Group does not have a formal compliance program in connection with foreign legislation and any deemed violation of such laws (whether due to the Group's acts or omissions or the acts or omissions of others, including its employees, agents, joint venture partners, local contractors or others) could result in substantial fines, sanctions, deferred settlement agreements, civil and/or criminal penalties, operational restrictions, seizure of rigs and other assets, all of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

2.2.7 Risks Related to Accidents on any of the Group's Rigs Causing Severe Damage or Injury, Resulting in Significant Costs Being Incurred

Oil and natural gas extraction on the Group's rigs are dangerous operations, subject to the hazards and risks normally associated with the exploration and extraction of natural resources. Any occurrence of such incidents could result in extraction shortfalls or damage to persons or property. The principal hazards and risks associated with the Group's extraction operations include:

- unusual or unexpected geological conditions;
- various industrial accidents, including well blowouts, well collapses, falls from height, light vehicle accidents, electrocutions, incidents involving equipment, fires, explosions and emissions of harmful gases or chemicals often odourless and toxic (such as hydrogen sulphur);
- natural disasters such as flooding, typhoons and fires; and
- spills, discharges or other releases of oil and hazardous substances into the environment.

The Group has experienced certain of these hazards, and the occurrence of any of the above hazards and risks could have an adverse impact on the environment, as well as significant adverse impact on the Group's operations, business, reputation and financial condition.

More importantly, the occurrence of any of the hazards described above may result in damage or loss of human life and longer-term chronic diseases to employees, site contractors or third persons. For example, an accident occurred at one of the Group's drilling rigs due to human error in May 2022G, which resulted in the injury of two workers and the death of another one. These hazards may also cause significant damage to the Group's facilities and assets, and have an impact on its ability to fully realise a contract's full value, resulting in significant losses or liabilities. Any of the above events could also result in equipment failures or shutdowns, civil lawsuits, criminal investigations and regulatory enforcement proceedings, any of which could lead to significant liabilities for the Group. Any damage to persons, equipment or property, or any other disruption to the Group's ability to conduct its extraction operations, may result in a significant decrease in the Group's revenue and net income, as well as the incurrence of significant additional cost to replace or repair its assets, and, depending on the nature of the incident, the Group may not be fully insured, or insured at all.

2.2.8 Risks Related to Zakat and Income Tax Calculation Mechanism Change

The ZATCA issued Circular No. 6768/16/1438 on 5 Rabi' al-Awwal 1438H (corresponding to 5 December 2016G) requiring Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of shareholders and actual ownership of Saudi and GCC citizens and other nationals as described in the "Tadawulaty" at the end of the year. Prior to issuance this Circular, companies listed on the Exchange were generally subject to payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The effect of listed shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, the ZATCA issued its Letter No. 12097/16/1438H on 19 Rabi' al-Thani 1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and the coming years. Until the ZATCA issues guidelines regarding the mechanics and the procedures for implementing the Circular, the implementation of such Circular in practice, including final requirements to be met, remains under consideration, in particular the rules subjecting all non-GCC residents who are shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has not assessed the financial impact of this Circular, nor did it take adequate steps to ensure compliance therewith. If the financial impact of this Circular, upon application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.2.9 Risks Related to Non-Compliance with Value Added Tax Regulations

The VAT Law came into force on 1 January 2018G, imposing a five per cent. VAT on a number of products and services. The Ministry of Finance increased the VAT to 15.0 per cent. as of 1 July 2020G. Given the relatively recent application of the VAT Law and the recent increase in the VAT rate, it is possible that violations or mistakes in its application would be made by the Executive Management or the Group's employees. This may increase the operating costs and expenses that will be borne by the Group, expose the Group to fines or penalties, or lead to damage to its reputation. Moreover, if the Group is unable to increase its prices to offset any future increase in the VAT, the Group's margins will be negatively affected. If the VAT increase is passed on to the Company's customers, the demand for its products may decline. The Group is also subject to VAT in other jurisdictions where it operates where similar VAT-related risks exist. Any of the above risks would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.10 Risks Related to Licences and Approvals

To carry out and expand its business, the Group needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, Zakat and other authorities and agencies in the Kingdom. The processes for obtaining these licences, certificates, permits and approvals are often lengthy and most of the licences, certificates, permits and approvals are subject to conditions under which the licences, certificates, permits and approvals can be suspended or terminated if the licensee fails to comply with certain requirements. As of the date of this Prospectus, the Group has one expired operational licence, namely a civil defence licence, and seven operational licences that have not yet been obtained, including six licences from the Ministry of Energy and one civil defence licence, out of a total 13 licences required to carry out its activities and operate its facilities and rigs in the Kingdom, see Section 12.4 (*Government Consents, Licences, and Certificates*)).

In connection with the four Ministry of Energy licences relating to the Company's activities that have not yet been obtained, the Group has received instructions from the Ministry of Energy to refer to Saudi Aramco to register and obtain the relevant documentation for the purpose of engaging in the relevant activities, as an alternative to obtaining the required licences from the Ministry of Energy in its capacity as regulator. This may further be considered in light of the Concession Agreement by and between the Government and Saudi Aramco dated 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) (the "**Concession**") and the concession licence dated 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) relating to the same, pursuant to which Saudi Aramco is granted certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrocarbons within certain areas of the Kingdom. Such rights may not be assigned pursuant to the Concession. However, pursuant to the Hydrocarbons Law, Saudi Aramco in its capacity as a licensed entity in hydrocarbons operations, including oil drilling, may assign such rights, subject to prior written approval from the Minister of Energy. The Group may be subject to penalties and fines, as well as in certain cases to the closure of non-compliant facilities and rigs, if it continues to operate without obtaining or renewing the above licences and certificates. Furthermore, when renewing or modifying the scope of a licence, certificate or permit, the relevant regulatory authority may not renew or modify such licence, certificate or permit and may impose conditions that will adversely affect the Group's performance, if it does renew or modify such licence, certificate or permit. If the Group is unable to obtain, maintain or renew the relevant licences, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close its facilities for which operating licences are missing and/or pay financial penalties, any of which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.11 Risks Related to Certification of Rigs

The drilling services and operation of rigs are subject to mandatory applicable laws and regulations, good international oil and gas practices as well as specifications and standards set out in customers contracts in connection with drilling and maintenance procedures, in addition to environmental requirements and restrictions. Pursuant to the Hydrocarbons Law, such regulatory requirements are obligations on Saudi Aramco, in its capacity as licensee pursuant to the Concession. However, similar obligations are generally included in the Group's drilling agreements with Saudi Aramco and affiliates of the Schlumberger Group (including Schlumberger Middle East S.A, Dowell Schlumberger Saudi Arabia Ltd.), in addition to the supplier's code of conduct, which it is contractually subject to, along with all vendors, manufacturers, contractors and sub-contractors of Saudi Aramco. Saudi Aramco in turn conducts periodic audits and inspections of the Group's rigs for HSE and maintenance purposes, and issues reports of compliance to that effect based on the results of such audits and inspections for all operational rigs contracted to Saudi Aramco. If the Group fails to maintain the required standards or successfully pass any of the audits and inspections, this will have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.12 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees

The Government has approved several resolutions intended to implement comprehensive reforms in the Saudi labour market, with additional fees being imposed on each non-Saudi employee working for Saudi entities and companies as of 1 January 2018G, and on the residence permit issuance and renewal fees of non-Saudi employee families, which came into force as of 1 July 2017G. Such fees have increased gradually from SAR 4,800 to up to SAR 9,600 annually for each employee during the year 2020G. As a result, the Government fees paid by the Group for its non-Saudi employees were SAR 10.9 million, SAR 11.1 million and SAR 10.8 million, for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. As any further increase in residence permit issuance and renewal fees will increase the cost of living, non-Saudi employees may seek employment opportunities in other countries with a lower cost of living. In such cases, it may be difficult for the Group to retain its non-Saudi employees and in case it is unable to replace them by properly qualified Saudi employees, the Group may be forced to incur additional Government fees related to issuance and renewal of residence permits for non-Saudi employees and their family members. This could have a material adverse effect on the Group's operations, financial position, results of operations and prospects. See also Section 5.9 (*Employees*) for a discussion of the achieved Saudization by the Group.

2.2.13 Risks Related to Non-Compliance with the Saudization Requirements

Compliance with Saudization requirements is a Saudi regulatory requirement, under which all companies in the Kingdom, including the Company and the Subsidiary, are required to employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of each company's activities. Moreover, MHRSD approved a new amendment to the "Nitaqat" program under the name of "Nitaqat Mawzon" (Balanced Nitaqat) in July 2016G to improve the market performance and development and to eliminate the non-productive Saudization. While such amendment was to come into effect on 12 Rabi al-Awwal 1438H (corresponding to 11 December 2016G), MHRSD postponed the program until further notice in response to private sector demands for additional time to achieve the Saudization rate. As of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" program, points would be calculated based on five factors: (i) the Saudization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female Saudization; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of now, the existing framework of the "Nitaqat" program remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period. The Company has not taken any measures to improve its Saudization rating in anticipation of the formal implementation the "Nitaqat Mawzon" program. Therefore, the Company may be unable to promptly respond to a new implementation deadline upon declaration of the "Nitaqat Mawzon" program, which would negatively affect the Company's ability to comply with Saudization requirements. This would have an adverse effect on the Company's financial position, result of operations and prospects. The Company was compliant with the Saudization requirements as of 31 December 2021G in the "Nitaqat" program within the "Platinum" category (with Saudization percentage of 76.2 per cent.).

In case of non-compliance with the applicable Saudization requirements, the Group would be subject to penalties by Governmental entities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, exclusion from Government loans and participation in Government tenders. As a result, the Group may not be able to continue to recruit or maintain the required percentage of Saudization. In addition, the Group may not be able to recruit the required number of Saudi nationals under favourable conditions. In particular, the Group relies on several qualified non-Saudi employees with relevant drilling industry experience running the operations of the Company, including, without limitation, chief electricians, chief mechanics, barge captains, rig superintendents, and rig safety and training coordinators. Any changes in local regulations which adversely impact expatriates may cause departures of these expatriate employees from the Kingdom and may result in a possible disruption in the Company's operations. Moreover, the Group is sensitive to the costs of total salaries and related benefits, which amounted to SAR 1.2 billion, SAR 1.0 billion and SAR 0.99 billion for the financial years ended 31 December 2019G, 2020G and 2021G, respectively, representing approximately 50.7 per cent., 47.9 per cent. and 53.8 per cent. of operating costs for the same periods. There may be a significant increase in costs of salaries if the Group hired larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects (for further details, see Section 5.9.2 (*Saudization*)).

2.2.14 Risks Related to Compliance with the Companies Law, the Implementing Regulations and the Corporate Governance Regulations

In its management and operations, the Company is subject to the provisions of the Companies Law. The Government issued a new Companies Law, which came into force on 25/07/1437H (corresponding to 2 May 2016G). On 16/01/1438H (corresponding to 17 October 2016G), the CMA Board issued the Regulatory Rules and Procedures pursuant to the Companies Law relating to Listed Joint Stock Companies. Additionally, on 16/05/1438H (corresponding to 13 February 2017G), the CMA Board issued the Corporate Governance Regulations, the various provisions of which became effective on 22 April 2017G, except for certain specific provisions that entered into force on 31 December 2017G, that were further amended on 01/06/1442H (corresponding to 14 January 2021G). The Companies Law and the Corporate Governance Regulations impose certain procedures for the new requirements to be met. In addition, the Companies Law introduced stricter penalties for non-compliance with its mandatory provisions and rules. Accordingly, the Company could also be subject to such stricter penalties in the event of non-compliance with such mandatory provisions and rules, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects. Moreover, on 18 Dhul Qadah 1441H (corresponding to 9 July 2020G), draft new Companies Law has been published for public consultation containing further new requirements, the final extent and timing of which is not yet known, and which may have a material impact on the Company and its future activities. Such new requirements include the obligation to formally register all corporations, including unincorporated joint ventures, the regulation and codification of share option arrangements, and the imposition of certain prerequisites for distribution of dividends. The Company has not assessed the impact of the draft new Companies Law on its operations. If such impact is material or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.3 Risks Related to Offer Shares

2.3.1 Risks Related to Effective Control by the Current Shareholders after the Offering

Following the Offering, the Current Shareholders will own 70.0 per cent. of the Company's Shares. As a result, the Current Shareholders will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of directors, significant corporate transactions, dividend distributions and capital adjustments. In cases where the interests of the Current Shareholders conflict with the interests of minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged and the Current Shareholders may otherwise exercise its control over the Company in a manner that will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.3.2 Risks Related to Absence of a Prior Market for the Offer Shares

Currently, there is no public market for the Company's Shares, and there is no guarantee or confirmation that an active and liquid market for the Shares after the Offering will exist and continue. If an active and liquid market is not developed, the price of the Shares could be adversely affected. Moreover, no other company focusing primarily on the oil and gas drilling services has offered shares for public subscription in the Kingdom before the Offering. As a result, there are no comparable share trading data for companies of the same sector in the Kingdom.

2.3.3 Risks Related to Selling a Large Number of Shares on the Exchange

Sales of a substantial number of the Shares on the Exchange following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to the Lock-up Period following the Offering, during which each Substantial Shareholder may not dispose of any Shares. However, the sale of a substantial number of Shares by the Substantial Shareholders following the Lock-up Period, or the perception that such sales will occur, could have an adverse effect on the price of the Company's Shares on the Exchange.

2.3.4 Risks Related to Issuance of New Shares

If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or dilute then current shareholders' ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Group, the prospects for the Group's businesses, the sector in which it operates, the markets in which it competes and an assessment of the Group's management, operations and financial results. The Subscribers may not be able to sell their Shares after the Offering at the Offer Price or at a higher price. The Company's share price may be highly volatile and may not be stable due to several factors, including the following:

- negative variations in the Group's operating performance and improved performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of negative research reports by securities analysts about the Company or its competitors or the oil and gas industry;
- the public's negative reaction to the Group's press releases and other public announcements;
- resignation or retirement of key personnel;
- negative important and strategic decisions by the Group or its competitors, and negative changes in business strategy;
- changes in the regulatory environment affecting the Group or the oil and gas exploration and production industry;
- changes in adopted accounting rules and policies;
- terrorist acts, acts of war or widespread civil unrest;
- natural and other disasters; and
- changes in general market and economic conditions.

The occurrence of any of these risks or other factors could cause the market price of the Shares to decline significantly.

The stock markets witness from time-to-time extreme price and volume fluctuations. Periodic and constant market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares and higher price volatility if the trading volume of the Shares is low, which will have an adverse effect on the Subscribers' investments in the Company's shares.

2.3.6 Risks Related to Distribution of Dividends

Future distribution of dividends will depend on, inter alia, future earnings, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to pay dividends, and the Board of Directors may not recommend, and the Shareholders may not approve, the payment of dividends. The Company may become subject to the terms of its future credit financing agreements further restricting dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the dividend distribution. If the Company does not pay dividends on the Shares, the Shareholders may not receive any return on investment in the Shares, unless they sell the Shares at a price higher than the price at the time of purchase. For further details regarding the dividend policy of the Company, see Section 7 (*Dividend Distribution Policy*).

3. MARKET OVERVIEW

The information in Section 3 (*Market Overview*) is derived from the report prepared by the Market Consultant (Rystad Energy AS) exclusively for the Company and dated 29 Sha'ban 1443H (corresponding to 1 April 2022G). Some updates regarding relevant research sources (the "**Supplementary Information**") are indicated in Section 3.2.4 (*Drilling Contractor Market*) and were prepared by the Market Consultant for the Company in June 2022G in order to update some of the information contained in the Market Study Report. The Market Consultant is an independent third-party provider of strategic market consulting services. The Market Consultant is a leading provider of strategic consulting services for the energy industry. The Market Consultant's employee base consists of economists, engineers and scientists with extensive experience across broader energy topics, with a specialist focus on oil and gas. In addition to consulting services, the Market Consultant offers a database product portfolio that encompasses bottom-up analysis of global energy markets enabling industry leading analysis to be performed across the entire spectrum of the global energy industries. More information on the Market Consultant is available at www.rystadenergy.com.

The Market Consultant has prepared the Market Study Report in an independent and objective manner, and has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

The Market Consultant does not, nor does any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any Shares or any interest of any kind in the Company or the Subsidiary. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent for the use of its name and logo, and statements in the manner and format set out in this Prospectus.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. External sources have been used for some of the information about the competitors, who have not been contacted to verify the accuracy or the completeness of the information included herein.

Whilst the Board of Directors believes that the information and data from third party sources contained in this Prospectus, including those derived from public sources or provided by the Market Consultant, are reliable, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

This report contains forward looking views by the Market Consultant derived from its assumptions regarding the anticipated development of the market relevant for the Company. Such assumptions are informed by all information available to the Market Consultant as of the date of this Prospectus. Key sources contributing to the forecasts made by the Market Consultant include Group and Government-level reported economic and field level data, together with proprietary field level forecast models. Key assumptions made by the Market Consultant include anticipated future changes and trends in commodity prices and oil and gas demand.

Due to the timing of the Prospectus, the assumptions upon which the Market Consultant prepared the Market Study Report do not take into account the events that are currently ongoing with regards to the armed conflict between Russia and Ukraine. The Market Consultant, for the purpose of providing a guiding statement, notes that, as of the date of this Prospectus, the sanctions being applied against Russia as an economic partner in the energy industry for many countries, add to the importance and role of other energy producers, including the Kingdom. Accordingly, these developments are likely to increase the activity levels and market size of the Company, compared to what was earlier noted in the Market Study Report.

3.1 Oil and Gas Industry Overview

3.1.1 Introduction

Set out below is an overview of the macroeconomic factors impacting the global oil and gas industry and the Middle East and North Africa region, highlighting the following key trends impacting the broader market for the Group:

- growth in global GDP is a key driver for increased oil and gas demand out to 2030G as the global economic growth anticipated will result in increasingly higher demand for energy;
- the Emerging and Developing Asian Economies are expected to outperform global GDP growth levels and represent the key sources of accelerated demand for oil and gas out to 2030G;
- Middle Eastern onshore and offshore hydrocarbon supply sources are the most cost competitive globally and the activities to support production will be robust going forward;
- the Group is exposed to high volume and resilient markets, representing some of the most voluminous and resilient sources of oil and gas supply at a global level; and
- the Kingdom represents a hydrocarbon supply source exhibiting the lowest upstream emissions intensity globally.

Any forward-looking projections in this Prospectus on the development of the market are necessarily based on a review of historic trends, the likelihood of their continuance in the future, and expert opinion. A number of factors and uncertainties may affect the accuracy of such forward-looking projections, including the impact of COVID-19 on the performance of the market over the last two years, the likelihood that COVID19 will continue to be a public health issue for the years to come, and any future developments in connection with the armed conflict in Ukraine. The forward-looking projections/commentary in this Prospectus should be considered as purely directional, and are built on the following key underlying assumptions:

- the relevant markets are not subject to a general or prolonged economic decline or shock that the Market Consultant is not already aware of as of the date of this Prospectus, except the events that are currently ongoing with regards to the armed conflict between Russia and Ukraine which the Market Consultant did not take into account while preparing the Market Study Report due to the timing of this Prospectus;
- there are no regulatory, fiscal or political changes imposing restrictions that impair the ability of the relevant markets to function other than as expected by the Market Consultant as of the date of this Prospectus; and
- there is no widespread disruption to the drivers that underpin the market fundamentals with the factors that the Market Consultant is aware of as of the date of this Prospectus.

Should any of the above key assumptions prove incorrect, actual future growth rates may be significantly different from the estimates discuss in this Prospectus. See also Section 2 (*Risk Factors*) for further risks impacting the Group.

3.1.2 Macroeconomic Overview

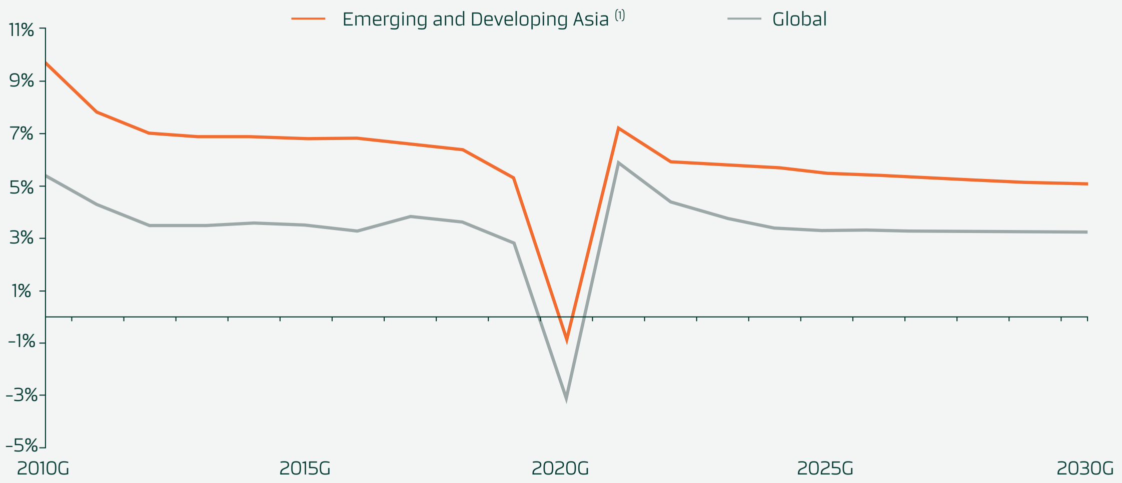
Historically, global energy demand has been coupled with GDP, increasingly so as economies expand in terms of both economic output and population size. The International Monetary Fund (IMF) World Energy Outlook January 2022G and the Market Consultant's estimations as of the date of this Prospectus forecast global real GDP to grow at a CAGR of 3.5 per cent. from 2021G to 2030G, as such the Market Consultant expects that over the same period demand for oil will grow at a CAGR of 0.6 per cent. and gas at a CAGR of 1.5 per cent.

The IMF expects Emerging and Developing Asian Economies to outperform the global average real GDP growth rates over the 2021G to 2030G period at a CAGR of 5.5 per cent., with associated oil demand expected by the Market Consultant as of the date of this Prospectus to grow at a CAGR of 2.5 per cent. and gas demand at 4.4 per cent. The Emerging and Developing Asian Economies refer to key growth centres, including but not limit to, China, India and the Southeast Asian countries, as per the IMF definition. Between 2009G to 2019G, the IMF observed that the Emerging and Developing Asian Economies' real GDP grew at 5.5 per cent., representing a trend that the IMF expects to continue in line with rising domestic prosperity and a growing middle class.

The GDP forecasts outlined represent the latest available views of the IMF at the date of this Prospectus. Upside and downside risks to the forecasts outlined exist and are dependent on macroeconomic factors, in part relating to the global economy and the ability to recover from the impact of the Covid-19 pandemic.

The following exhibit outlines the historical and forecast real GDP annual growth rates from 2010G to 2030G, split by Emerging And Developing Asian Economies and global economies:

Exhibit (3.1): Historical and Forecast Real GDP Annual Growth Rates from 2010G to 2030G, Split by Emerging and Developing Asian Economies1 and Global Economies (percentage)



Source: IMF, World Economic Outlook, January 2022G.

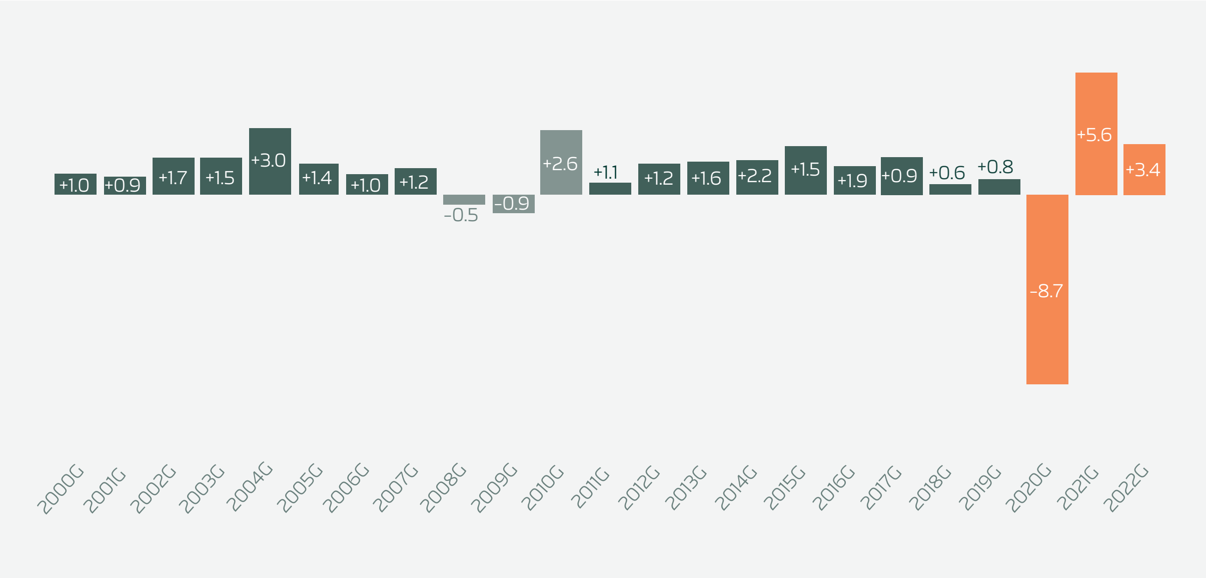
(1) Emerging and Developing Asian Economies, as per IMF definition.

3.1.3 Hydrocarbon Liquids Demand

Liquids refers to crude oil, condensate and natural gas liquids. The Market Consultant's analysis of historical demand for hydrocarbon liquids over the past 20 years exhibited a relatively consistent pattern of growth as increasingly more interdependent economies became more globalised. Between 2000G to 2008G, annual liquids demand growth averaged 1.0 million barrels per day as economic growth was sustained over an extended period following the dot.com bubble. The financial crisis from 2008G to 2009G resulted in two consecutive years of decline, followed by a year of exceptional growth in 2010G. Following this, an extended period of steady annual demand growth occurred from 2011G to 2019G, averaging 1.3 million barrels per day. Subsequently, the Covid-19 pandemic during 2020G and the restrictions imposed on economies globally resulted in a year-on-year decline of 8.7 million barrels per day. The Market Consultant observed that as Covid-19 restrictions eased during 2021G, demand for liquids increased as economic activity picked up driving year-on-year growth 5.6 million barrels per day. Latest forecasts by the Market Consultant as of the date of this Prospectus indicate year-on-year growth of 3.4 million barrels per day of growth for 2022G.

The following exhibit outlines the historical and forecast global hydrocarbon liquids demand year-on-year growth from 2000G to 2022G:

Exhibit (3.2): Historical and Forecast Global Hydrocarbon Liquids Demand Year-on-Year Growth from 2000G to 2022G (Million Barrels per Day)



Source: Rystad Energy AS, OilMarketCube, February 2022G.

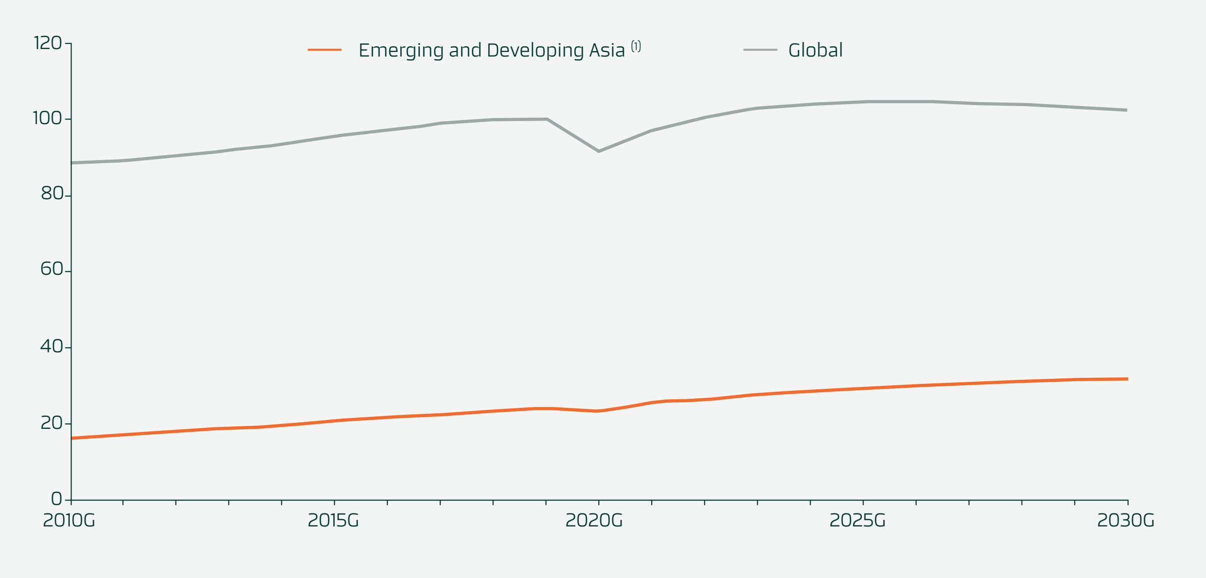
3.1.4 Oil Demand Outlook

The historical coupling between real GDP growth and oil demand for developed economies specifically is expected to diminish in strength over the coming decade. Developed economies are expected to increase the overall use of alternative sources of energy, anticipated efficiency increases are expected to stymie the overall growth in energy demand and increased electrification in sectors such as transport is likely to lessen the dependence on oil and the fuels derived. Many developed economies announced net-zero carbon emissions targets enforced through governmental policies which are driving the transition away from the use of hydrocarbons.

However, in the Emerging and Developing Asian Economies, where the IMF expects high levels of GDP growth from 2021G to 2030G at a CAGR 5.5 per cent., increased energy requirements associated with achieving the anticipated GDP growth rates are expected by the Market Consultant as of the date of this Prospectus to result in continual growth in oil demand at a CAGR of 2.5 per cent. from 2021G to 2030G.

The following exhibit outlines the historical and forecast oil demand outlook from 2010G to 2030G, split by global and Emerging and Developing Asian Economies:

Exhibit (3.3): Historical and Forecast Oil Demand Outlook from 2010G to 2030G, Split by Global and Emerging and Developing Asian Economies (Million Barrels per Day)



Source: Rystad Energy AS, OilMarketCube, February 2022G.

(1) Emerging and Developing Asian Economies, as per IMF definition.

The oil demand outlooks are based upon the Market Consultant's base case scenario where peak oil demand of 104.0 million barrels of oil per day is reached by 2025G. Downside risk to this forecast is primarily related to the increased penetration of electric vehicles in the transportation sector, above the Market Consultant's base case expectations, where the Market Consultant's low case scenario sees peak oil demand of 102.0 million barrels of oil per day reached in 2024G. Upside risk to this forecast is primarily related to delayed rollout of electric vehicles in the transportation sector, below the Market Consultant's base case expectations, where the Market Consultant's high case scenario sees peak oil demand of 106.0 million barrels of oil per day reached in 2028G. The upside and downside risks are not isolated to the impact of electric vehicles on the transport sector and factor in the broader dynamics of the holistic energy system anticipated by the Market Consultant.

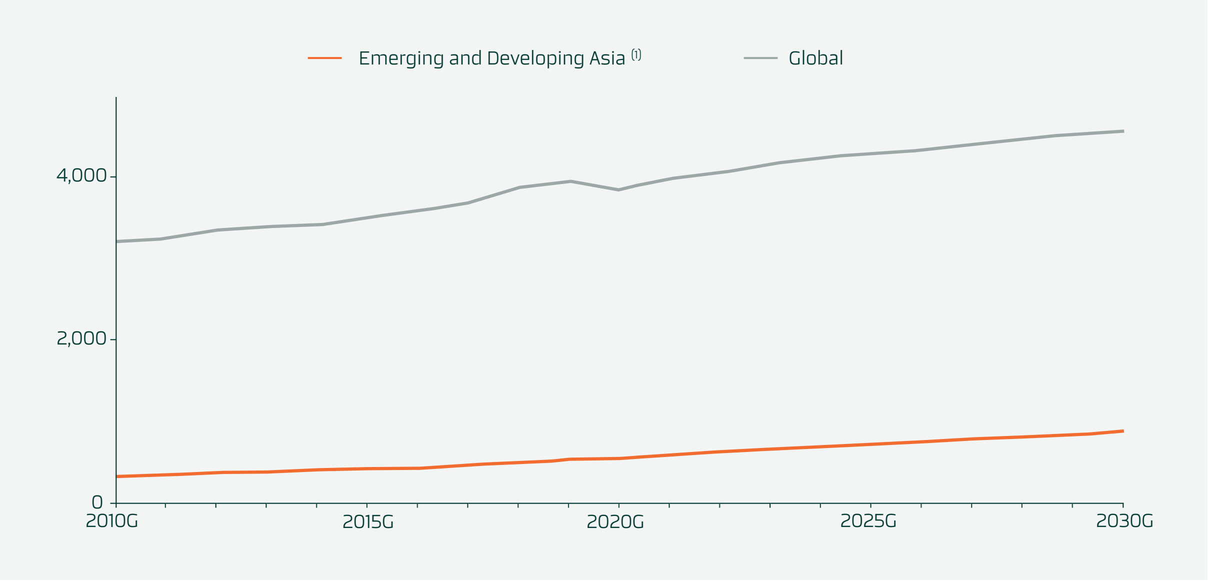
3.1.5 Gas Demand Outlook

The Market Consultant observed that global demand for natural gas increased at a CAGR of 2.3 per cent. from 2010G to 2019G as global economies sought to increase the relative contribution of lower emission sources of power into the energy mix. Gas-to-power represents a key facilitator of the transition to a lower carbon economy, underpinning the Market Consultant's expectations as of the date of this Prospectus for growth in global natural gas demand from 2021G to 2030G at a CAGR of 1.5 per cent.

As of the date of this Prospectus the Market Consultant forecasts that Emerging and Developing Asian Economies will outperform global growth in demand for natural gas at a CAGR of 4.4 per cent. from 2021G to 2030G, as both gas-to-power and industrial uses of gas drive growth in real GDP at a CAGR of 5.5 per cent. Historically, natural gas demand in Emerging and Developing Asian Economies grew at a CAGR of 5.8 per cent. from 2010G to 2019G.

The following exhibit outlines the historical and forecast gas demand outlook from 2010G to 2030G:

Exhibit (3.4): Historical and Forecast Gas Demand Outlook from 2010G to 2030G (Billion Cubic Meter per Year)



Source: Rystad Energy AS, GasMarketCube, February 2022G.

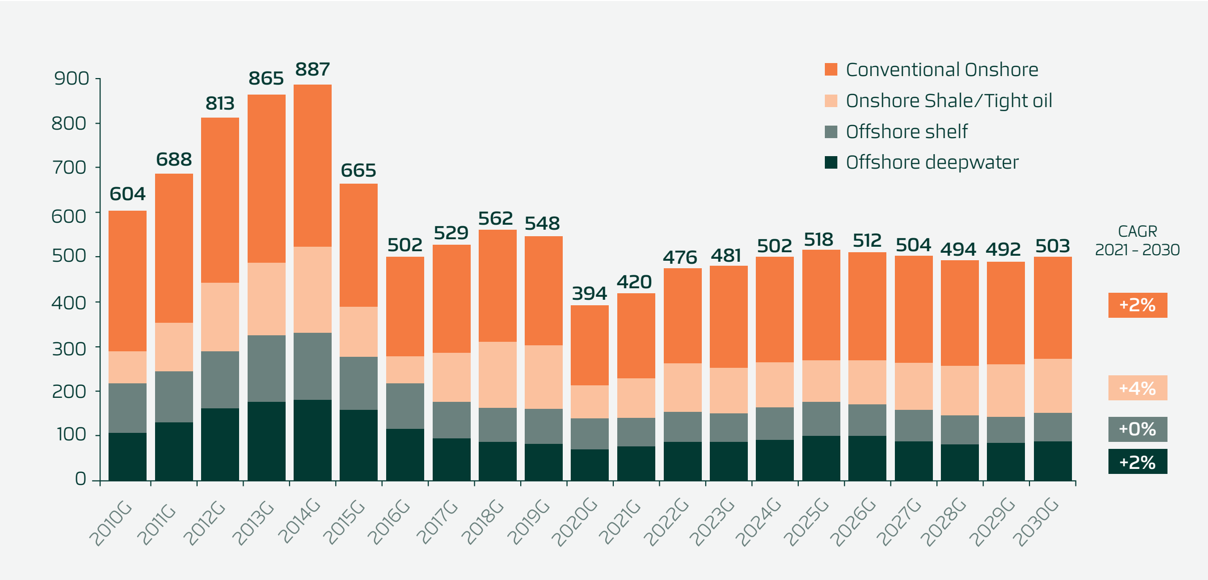
(1) Emerging and Developing Asian Economies, as per IMF definition.

3.1.6 Cost of Upstream Hydrocarbon Supply in the Upstream Stage

From 2010G to 2014G, the North American Shale Industry experienced a period of significant efficiency gains achieved through technological innovation in hydraulic fracturing techniques. This led to large volumes of liquids and gas production being brought onstream as the North American Shale Industry became the marginal cost producer in the global oil and gas industry. The short-cycled nature of bringing new production from shale supply sources was also pivotal in this development. With the introduction of a large new source of supply in the global oil and gas industry, over the 2015G to 2019G period, oil prices (brent) averaged USD 58 per barrel. This new development led to the global oil and gas industry reducing investment in new developments, otherwise referred to as greenfield, despite continual growth in demand for hydrocarbons fuelling underlying growth in global GDP. The oil and gas industry is now in a new era, where cost competitiveness of supply is key for understanding the regions where activity is likely to be concentrated in the longer-term.

The following exhibit outlines historical and forecast global upstream oil and gas capital expenditure from 2010G to 2030G:

Exhibit (3.5): Historical and Forecast Global Upstream Oil and Gas CAPEX (Including Exploration) from 2010G to 2030G (Billion USD, Nominal)

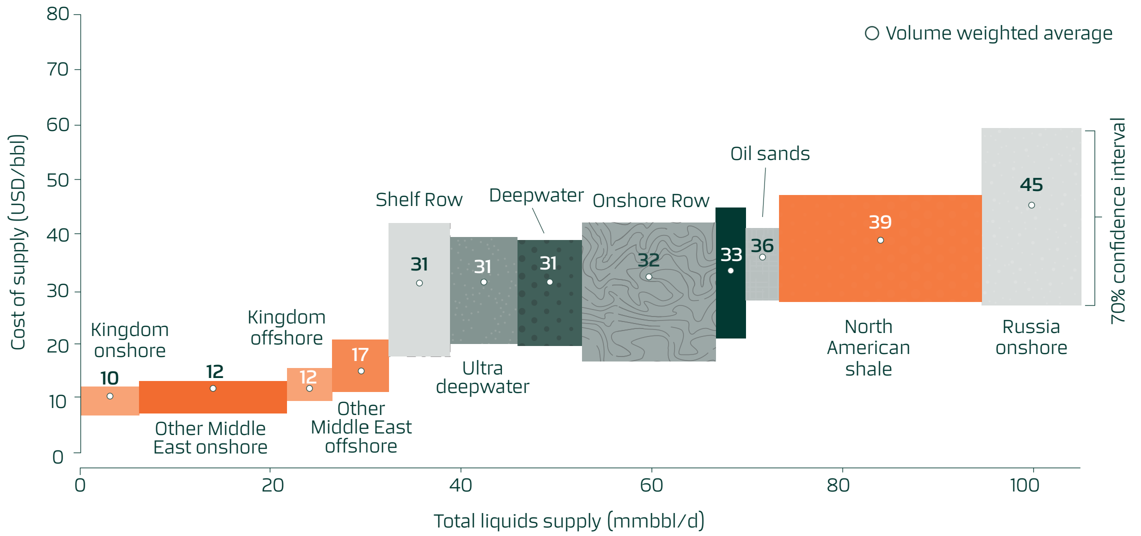


Source: Rystad Energy AS, ServiceDemandCube, February 2022G.

Exhibit 3.5 above illustrates the global volumes of liquids supply, disaggregated by supply source and grouped into relevant categories for evaluating the competitiveness of the Group's key regional market, the Middle East and key country market, the Kingdom. The width of the boxes along the x-axis represents the total volumes of supply whilst the y-axis illustrates the cost of supply in USD per barrel (brent), at a 70.0 per cent. confidence interval. The Group is exposed exclusively to volumes of supply from the Kingdom, which occupy the lower left portion of the chart, indicating the superior competitiveness of such resources on a global scale. As of the date of this Prospectus, the Market Consultant's analysis of the cost of supply in 2030G indicates that onshore liquids supply in the Kingdom is the most competitive with a volume weighted breakeven oil price of USD 10 per barrel (brent). Offshore supply from the Kingdom boasts similar characteristics and a volume weighted breakeven oil price of USD 12 USD per barrel (brent). Such breakeven oil prices are driven by the vast scale of liquids resources held in well-known reservoirs, the majority of which have been producing for decades and are expected to continue to do so for the remainder of the century. The cost competitiveness of liquids supply in the Kingdom and the Middle East as a whole is expected to result in activity concentrating in the region towards 2030G.

The following exhibit outlines the upstream cost of supply by segment in 2030G:

Exhibit (3.6): Upstream Global Liquids Cost Curve by Supply Segment in 2030G (Brent Equivalent Forward Looking Breakeven Oil Price, USD/barrel of crude oil)



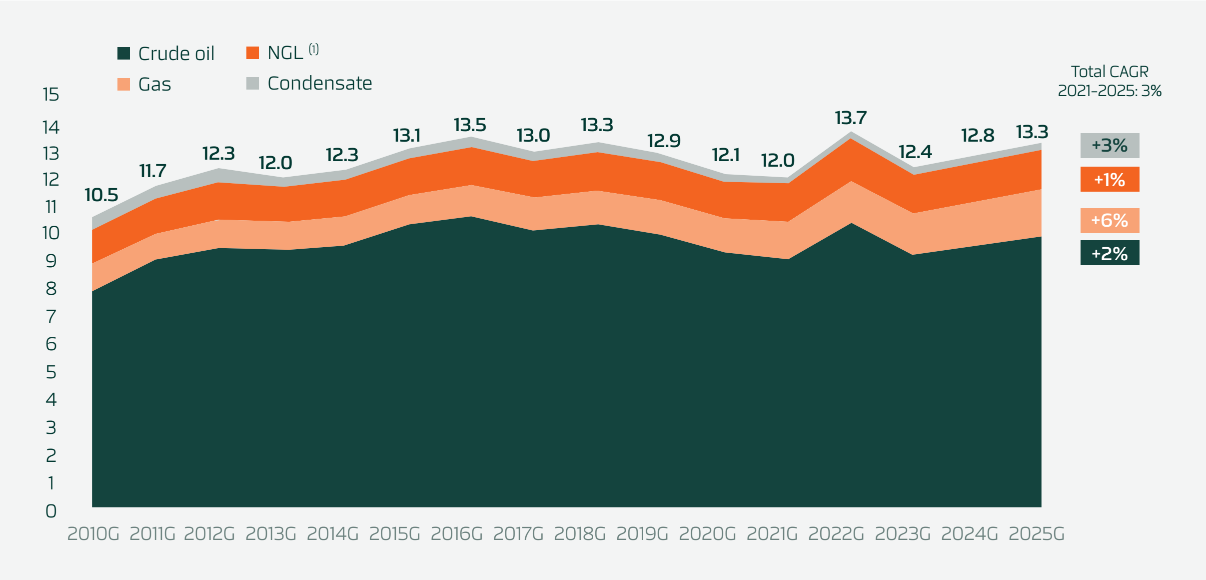
Source: Rystad Energy AS, UCube, February 2022G.

3.1.7 MENA Hydrocarbon Resources

The Group is primarily exposed to activities relating to the oil and gas industry in the Kingdom. The Market Consultant estimates that the Kingdom produced over 12.0 million barrels of oil equivalent per day in 2021G, representing 8.0 per cent. of global hydrocarbon production volumes. The Kingdom possesses vast resources within well-known and understood reservoirs, with all production owned and operated by a single operator, Saudi Aramco. Within the Kingdom, 67.0 per cent. of production takes place onshore and 33.0 per cent. offshore. Onshore production is dominated by the largest conventional oilfield in the world, the Ghawar field, with total production from the various Ghawar production areas accounting for 36.0 per cent. of the Kingdoms total output in 2021G. Other significant onshore fields include Khurais and Shaybah. Offshore production in the Kingdom is led by the Safaniya, Manifa, Berri, Qatif and Zuluf fields, amongst others. The Market Consultant estimates indicate that the Kingdom will be capable of economically producing the remaining resources across the largest fields for between 55-80 years, depending on the production area. Total production in the Kingdom in 2021G was 89.0 per cent. liquids and 11.0 per cent. gas. The unconventional field, Jafurah, is expected to attract significant investment over the coming decade as the Kingdom drives forward initiatives intending to boost gas production to satisfy growing domestic demand. Saudi Aramco publicly announced on 20 February 2020G the intention to invest USD 110 billion into the development of the Jafurah field. As of the date of this Prospectus, the Market Consultant forecasts that in 2022G the Kingdom will ramp up production in line with OPEC's latest communications. As such, as of the date of this prospectus, the Market Consultant forecasts that total hydrocarbon production will grow at a CAGR of 14.0 per cent. from 2021G to 2022G, driven by production from the Safaniya offshore field and production from the Ghawar onshore field. It is the Market Consultant's view that the oil market will enter a short period of oversupply in 2023G as Iran increases production. In order to mitigate this, the Market Consultant expects the Kingdom to continue its role in balancing the market as in 2017G by cutting production from 2023G until the expected oversupplied market conditions ease. The Market Consultant forecasts as of the date of this Prospectus that total hydrocarbon production in the Kingdom will grow at a CAGR of 3.0 per cent. from 2021G to 2025G.

The following exhibit outlines historical and forecast hydrocarbon production volumes from the Kingdom from 2010G to 2025G, split by oil, gas, natural gas liquids and condensate:

Exhibit (3.7): Historical and Forecast Hydrocarbon Production from the Kingdom from 2010G to 2025G, Split by Oil, Gas, Natural Gas Liquids and Condensate (Million Barrels of Oil Equivalent per Day)

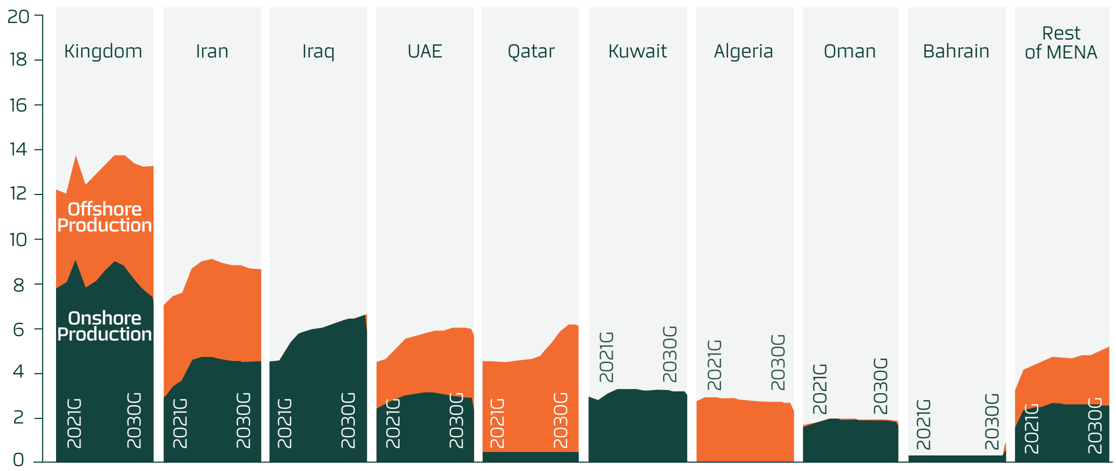


Source: Rystad Energy AS, UCube, February 2022G.

(1) Natural Gas Liquids.

The following exhibit outlines historical and forecast hydrocarbon production volumes from 2021G to 2030G by MENA countries, split on and offshore:

Exhibit (3.8): Historical and Forecast Hydrocarbon Production Volumes from 2021G to 2030G by MENA Countries, Split On and Offshore (Million Barrels of Oil Equivalent per Day)

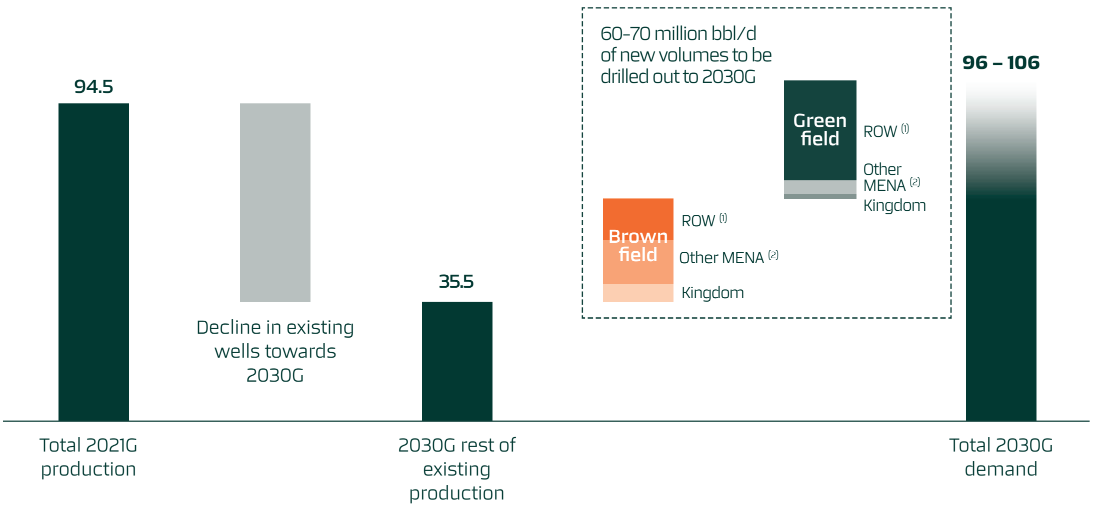


Source: Rystad Energy AS, UCube, February 2022G.

Due to the inherent field-level decline in oil and gas fields over time, it is a significant task for the upstream oil and gas industry to even maintain production levels. The Market Consultant estimates as of the date of this Prospectus that in order to meet global demand levels in 2030G, from 2021G to 2030G approximately 60 million barrels per day of production declines in existing fields are required to be offset, through drilling in new fields, greenfield activity, and through drilling in existing fields, brownfield activity. As illustrated in Exhibit 3.9, over this time period, such brownfield drilling is dominated by the MENA region, representing over 50.0 per cent. of the incremental additional brownfield volumes expected to be drilled out by 2030G globally. The Kingdom is estimated to contribute 17.0 per cent. of the incremental additional volumes produced from brownfield drilling on a global level by 2030G.

The following exhibit outlines the breakdown of hydrocarbon liquids supply from currently producing fields and future discoveries and developments:

Exhibit (3.9): Hydrocarbon Liquids Supply from Currently Producing Fields and Future Discoveries and Developments (Million Barrels per Day)



Source: Rystad Energy AS, UCube, February 2022G.

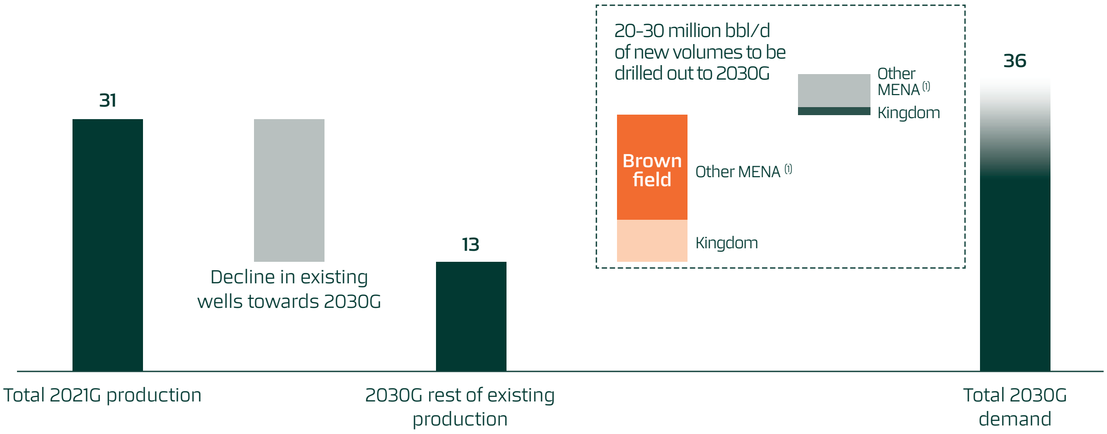
(1) Rest of World.

(2) Other MENA includes all other Middle Eastern and North African countries excl. the Kingdom.

The Market Consultant estimates as of the date of this Prospectus that in order to meet global demand levels in 2030G approximately 20 million barrels per day of production declines in existing fields are required to be offset in MENA, predominately through brownfield drilling in the region. As illustrated in Exhibit 3.10, the Kingdom represents a key contributor towards the brownfield drilling portion of the incremental volume additions in the MENA region towards 2030G, with approximately 30.0 per cent. of the MENA total.

The following exhibit outlines the breakdown of hydrocarbon liquids supply from currently producing fields and future discoveries and developments in the MENA region from 2021G to 2030G.

Exhibit (3.10): MENA Hydrocarbon Liquids Supply from Currently Producing Fields and Future Discoveries and Developments from 2021G to 2030G (Million Barrels per Day)



Source: Rystad Energy AS, UCube, February 2022G.

(1) Other MENA includes all other Middle Eastern and North African countries excl. the Kingdom.

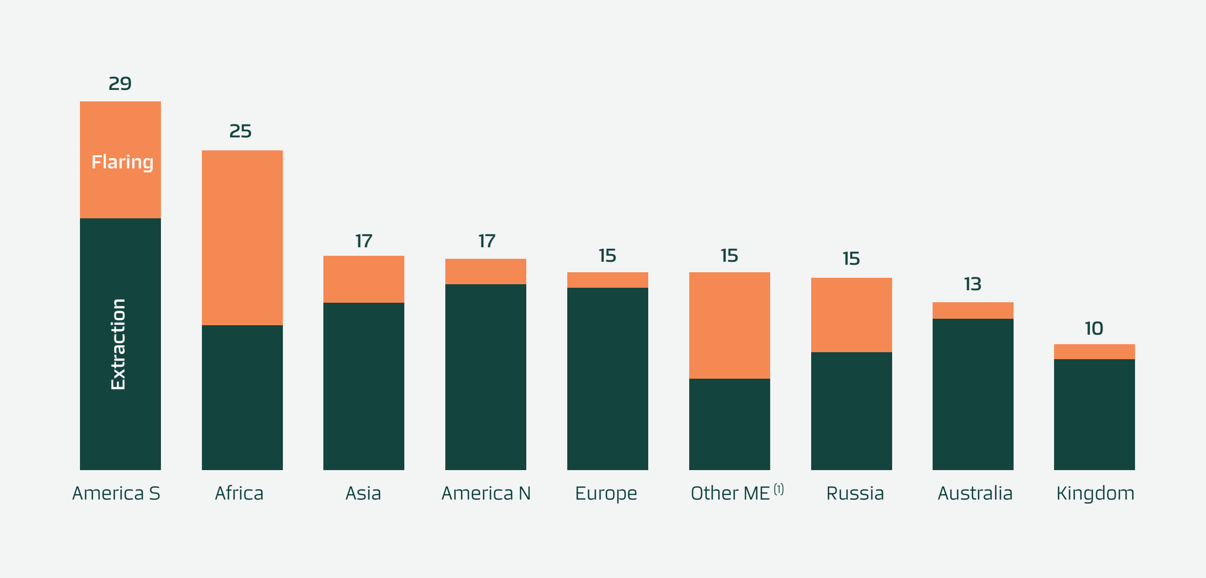
3.1.8 Upstream Emissions Intensity

Upon examining the long-term sustainability of hydrocarbon production, one of the most pertinent metrics is the upstream emissions intensity. Upstream emission intensity represents the CO_2 emissions originating from the production of hydrocarbons, both in terms of extraction-related emissions and flaring-related emissions. Flaring emissions are those related to the burning of natural gas produced in association with oil production or during specific operations. The metric upstream emissions intensity is calculated by totalling the upstream CO_2 emissions and dividing it upon the associated oil and gas production, resulting in a kg CO_2 per barrel of oil equivalent value. This metric does not include emissions related to transportation, refining, end product use or the wider value chain.

In 2021G, the Market Consultant estimates that South America represented a region with the highest upstream emissions intensity globally, driven by the large volumes of flaring that takes place. Such flared volumes are due to the absence of sufficient export capacity for the gas. The Group's key market, the Kingdom, presents the lowest upstream emissions intensity globally when comparing with regional level aggregated values. The vast majority of CO_2 emissions associated with the Kingdom's production are extraction related, resulting in an upstream CO_2 emissions intensity of 10 kg CO_2 per barrel of oil equivalent in 2021G. Low flaring volumes are due to the importance of gas to the Kingdom, with domestic demand for the hydrocarbon set to rise in the future as power generation switches from using oil as a fuel to using gas, as part of the Kingdom's initiatives towards the decarbonisation of the power grid. Low upstream emissions intensity results in the associated hydrocarbon production being less impacted by higher carbon taxes. Carbon tax represents the levy imposed on emitters by some governments based on the volumes of carbon dioxide produced during operations. Therefore, the Group's activities in the Kingdom are less likely to be financially affected by future expectations for higher carbon pricing. Furthermore, given the low upstream emissions intensity per barrel of oil produced, the enhanced long-term sustainability associated is likely to defer the curtailment of production due to environmental concerns, as opposed to higher intensity barrels facing increasingly greater scrutiny on the global stage.

The following exhibit outlines regional upstream CO2 emissions intensity in 2021G, split by region and emission type (flaring and extraction related emissions):

Exhibit (3.11): Upstream CO2 Emission Intensity in 2021G, Split by Region and Emission Type (Flaring and Extraction Related Emissions) (kg CO2 / barrel of oil equivalent)



Source: Rystad Energy AS, UCube, February 2022G.

(1) Other ME is defined as all other Middle Eastern countries excluding the Kingdom.

3.2 The Group's Business in Context

The Group is one of the largest drilling contractors in the MENA region with activities across the hydrocarbon Exploration & Production (E&P) value chain. Through operating land rigs and jack-up rigs the Group's offering extends across both onshore and offshore shallow water operational environments. This Section of the report will highlight some of the specifics relating to the activities of the Group, drawing upon the following details pertinent for understanding the markets the Group operates in, as of the date of this Prospectus:

- the production phase of the E&P value chain represents the period of highest expenditure levels for drilling contractors and is where the Group derives the largest amount of revenue;
- global E&P expenditure on land and offshore shallow water drilling contractors in 2021G is estimated by the Market Consultant to be USD 33 billion, 6.3 per cent. of the USD 519 billion of E&P expenditure on oilfield service companies;
- the Group primarily operates a large fleet of land rigs, for which the global E&P expenditure on land rig drilling contractors in 2021G is estimated by the Market Consultant to be USD 23 billion, 70.0 per cent. of the global E&P expenditure on onshore and offshore shallow water drilling contractors;
- the Group also operates a fleet of jack-up rigs, for which the global E&P expenditure on offshore shallow water drilling contractors in 2021G is estimated by the Market Consultant to be USD 10 billion, 30.0 per cent. of global E&P expenditure on onshore and offshore shallow water drilling contractors;
- MENA E&P expenditure on onshore and offshore shallow water drilling contractors in 2021G is estimated by the Market Consultant to be USD 6 billion, 19.0 per cent. of the global onshore and offshore shallow water drilling contractor expenditure levels; and
- in the Kingdom E&P expenditure on onshore and offshore shallow water drilling contractors in 2021G is estimated by the Market Consultant to be USD 3 billion, 8.0 per cent. of the global onshore and offshore shallow water drilling contractor expenditure.

3.2.1 E&P Value Chain

The oil and gas value chain consists of three key phases, namely upstream, midstream and downstream. The upstream phase mainly focuses on the exploration for crude oil and natural gas fields, as well as production and processing. Upstream is also termed E&P. The midstream phase primarily involves the storage and transportation of oil and gas from upstream to downstream through a network of pipelines, trucks, rail, ships, tankers and barges. The final phase, downstream, focuses on the refining of crude oil and purifying natural gas. Sales, marketing, product distribution and retail of oil products, such as diesel, gasoline and naphtha takes place in the downstream phase. The Group is involved in the upstream phase and has no activities in the midstream and downstream phases.

3.2.1.1 Oil and Gas Field Lifecycle

The activities of the Group are focused on the E&P value chain as this is where drilling of wells and enhancing production from existing wells is conducted. The main phases of the E&P value chain are divided into exploration, development, production and abandonment (well plugging and non-usage). The Group is present across all four phases of the E&P value chain. This is both onshore, through the provision of land drilling rigs and offshore, through the provision of jack-up drilling rigs.

A- Exploration Phase

During the exploration phase, initial exploration wells are drilled to confirm the presence of hydrocarbons in the area under exploration. Appraisal wells are subsequently drilled to identify the extent of hydrocarbon accumulations. The exploration phase requires significant capital expenditures by the company operating the asset. As the likelihood of discovering hydrocarbons is low. This phase is highly sensitive to oil prices and return on investment metrics because the risk adjusted expected return from exploration suffers from low oil prices.

The main difference between onshore and offshore exploration is related to the additional cost elements incurred by offshore exploration. The offshore equipment related to exploration activity typically needs to be more technologically advanced and more robust to the elements, which makes it more expensive to operate than onshore equipment.

B- Development Phase

The development phase involves the formation of a development plan and the drilling of wells that provide the initial sources of hydrocarbon production once sufficient understanding of the subsurface has been gained during the exploration phase. This includes the drilling of both production wells and injection wells, the latter of which are used to support the optimal production of hydrocarbons for the former. From a technical perspective the risk profile of the development phase is less than that of the exploration phase, however high capital outlay requirements can result in project deferrals and/or cancelations depending on the oil price environment.

C- Production Phase

During the production phase, additional wells are drilled to offset production declines in the existing well base and improve the overall recovery of hydrocarbons from the reservoir, by producing remaining accumulations of hydrocarbons. All fields naturally experience depressurisation as production releases energy from the reservoirs containing the hydrocarbons. The production phase also involves the enhancement of production levels from existing wells (an activity typically referred to as a "**workover**"), which can also require the use of drilling rigs. As capital has already been sunk prior to initiating production, activity during this phase is the most resilient during oil price cyclicality.

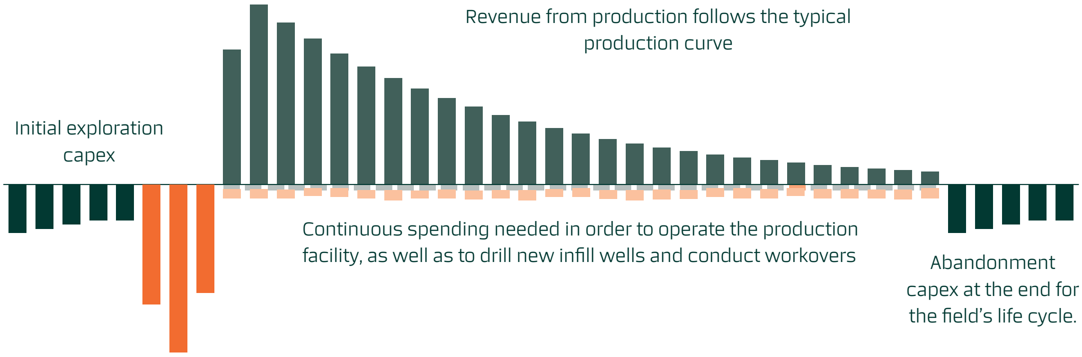
D- Abandonment Phase

At the end of the life of the field during the abandonment phase, wells are required to be plugged and abandoned, which can also involve the use of drilling rigs. The timing of abandonment can be influenced by the oil price, extending the economic producing life of fields during periods of high oil prices and reducing it during periods of low oil prices.

E&P expenditures are not uniformly distributed across the phases of a development. The largest amount of expenditure takes place during the production phase as this is the longest part of a typical development's operating life. Continuous spending by the E&P company is required to sustain production levels, through drilling infill wells and enhancing the production of existing wells. The Group is primarily involved in the drilling of infill wells and working over existing wells to enhance production levels.

The following exhibit shows an illustrative E&P company cashflows across the phases of a typical upstream development:

Exhibit (3.12): Illustrative E&P Company Cashflow Across the Phases of a Typical Upstream Development



Source: Rystad Energy AS, ServiceDemandCube, February 2022G.

3.2.1.2 Wells' lifecycle

A well's lifecycle follows the above oil and gas lifecycle and can be broken down into the following four main segments:

A- Well Construction

The well construction segment covers equipment and services necessary to create and ensure the structural integrity of the borehole. In addition to a drilling rig, drill pipe and drill bits are some of the main equipment used to construct the borehole. Rigs and associated equipment are provided by the drilling contractor, such as the Group. Mud, logging, tubular running and cementing services are examples of well services required during the well construction phase. Mud is a fluid used throughout the drilling operation and is pumped down the drill string and through the drill bit. The mud lubricates and cools the bit and transports cutting created to the surface. Logging services are used to evaluate the formation surrounding the wellbore once sections of the borehole have been drilled. In tubular running services, casing is run into the borehole and provides a physical barrier between the formation and the wellbore. Casing is installed in multiple diameters depending on the well construction requirements. To provide a seal between the casing and the formation cement is pumped through the drill string and into the annulus between the casing and the formation.

B- Well Completion

The well completion segment prepares the well for production (or injection) in a controlled, operational manner. Well completion can require tools such as perforating guns, which are used to create a hole within the production casing to allow communication between the reservoir and wellbores and plugs/packers, which are used as barriers to isolate fluids and pressures within the casing string. Certain services are designed with the aim of achieving a higher production rate, such as electrical pumps, which create an artificial lift by increasing the pressure within the wellbore/reservoir, and chemical stimulation which increases formation permeability and cleans the wellbore. Before production can start, wells are tested by the use of well test manifolds and flow meters. All services mentioned above are provided by oilfield services companies, such as the Group, themselves, and not the operating companies, such as Saudi Aramco.

C- Well Intervention

The well intervention segment covers any operation carried out on an oil or gas well during the well's productive life. The objectives are typically to re-establish the integrity of a well or to enhance productivity. Various means of conveyance are used to lower tools into the well for this purpose. For heavy interventions and workovers, drilling rigs are commonly used, however for lighter intervention purposes such as wireline and e-line maintenance, smaller intervention vessels can be used for offshore purposes, and workover rigs and modular units for onshore purposes.

D- Plugging and Abandonment

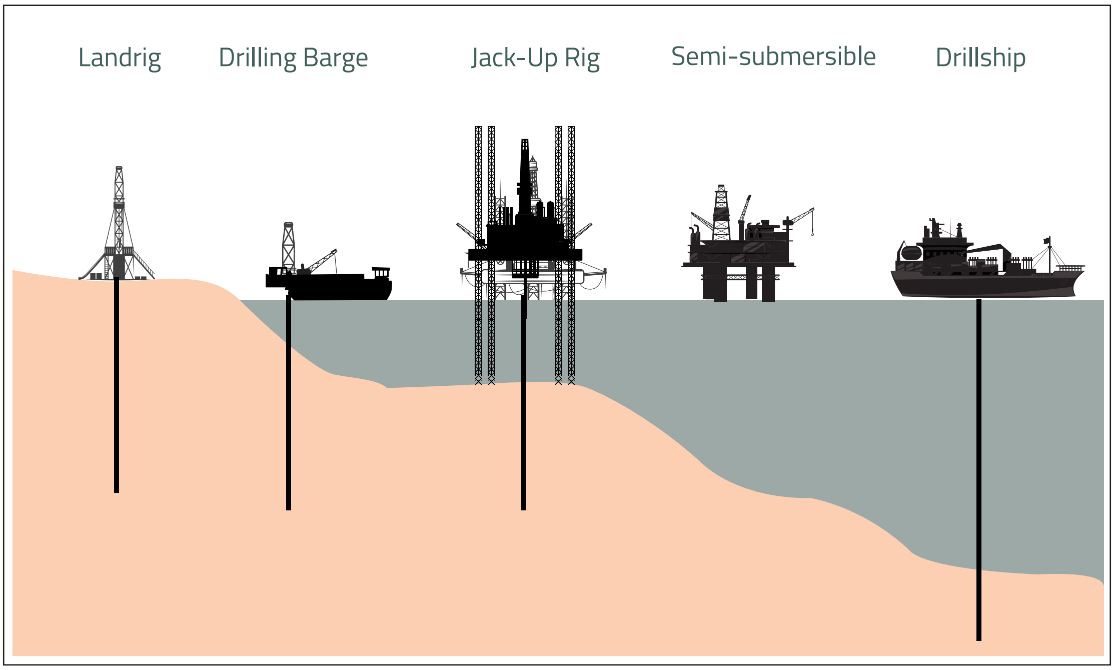
Plugging and abandonment of a well are the activities related to permanently closing a well, including the establishment of barriers to isolate permeable and hydrocarbon bearing formations. Well abandonment often requires the use of a drilling rig or workover unit due to the requirement of equipment handling and cement pumping. Before abandoning the well, downhole equipment may be required to be removed and the wellbore must be cleaned. Once the well barriers are installed and pressure tested, shallow cuts are made into the conductor casing and the wellhead is retrieved. Cement services are required in order to create a permanent barrier. All penetrated zones with flow potential are isolated from each other and from the seabed, typically by the placement of multiple cement barriers.

3.2.1.3 Drilling Rig Types

Drilling rigs vary depending broadly on the operational environment in which they operate, being either onshore (land) drilling rigs and offshore drilling rigs. The type of drilling unit to be utilised typically depends on location and water depth, but rigs are also categorised based on other features, such as operating environment, regulation and age/generation.

The following exhibit provides an illustration of the types of drilling rigs:

Exhibit (3.13): Illustrative Example of the Types of Drilling Rigs



Source: Rystad Energy AS and the Market Consultant report, 2022G.

A- Onshore Rigs

Onshore rigs are used for drilling on land and are classified based on their horse power, with smaller rigs at 1,000-1,500hp (up to 2,000 metres drilling depth), medium rigs at 1,500-2,000hp (up to 4,500 metres depth) and large rigs at 2,000+ hp (over 4,500 metres depth). The substructure is usually accompanied by power modules and drilling engines, accommodation block / base camp and other necessary equipment to carry out drilling operations. Different climate and terrain features naturally demand various combinations of rig specifications, including hook load, substructure design, drive characteristics, drilling capabilities and mobility options. Land rigs can also be distinguished by mobility, relating to the ease with which the rig can be moved between different locations. The importance of mobility is dependent upon the type of operation being performed and the characteristics of the operational environment.

B- Offshore Rigs

Jack-up rigs are predominantly used for drilling in water depths of up to approximately 125 metres. Floating rigs include semi-submersibles and drillships capable of drilling in water depths greater than 125 metres. The Group does not operate floating rigs as they are less relevant for the MENA region due to the shallower water depths.

Jack-ups are self-elevating rigs where the legs rest on the seabed, comprising of a waterproof hull with production equipment, crew quarters, loading and unloading facilities set above sea level. The construction of the footing facilitates installation of the jack-up rig on the seabed. The rig is mobile and is moved from one site to another by jacking up the legs and lowering the hull until it is afloat. The rig is then towed to the new site. Jack-up rigs can be broken down into classes with different technical and performance profiles, commodity class being the standard, while the premium/ultra-premium class provides greater water depth flexibility and increased horse power.

3.2.1.4 Drilling Rig Statuses

A rig's status throughout its lifetime changes depending on whether it is on contract, or "**active**", or not. When not on contract, rig owners will aim to minimise the operating cost. This can be done by retiring the rig, if it is believed that the rig will not win a contract again, or by taking the rig out of the market for a period of time, often referred to as being stacked. A rig can be either warm or cold stacked, which affects how quickly the rig can be reactivated.

A- Active

In addition to when the rig is drilling, the active status also applies when a rig is in transit or in mobilisation/demobilisation status, meaning that active rigs are not necessarily available for drilling work 365 days a year. In addition to mobilisation/demobilisation and transit, rigs must regularly be maintained to keep the asset safe and up to specifications. Maintenance activities range from daily routine work to larger maintenance campaigns which must be completed every five years for offshore rigs, sometimes requiring the rig to be dry-docked, and which can last up to 60 days.

B- Warm stacked

Rigs can be warm stacked when it is believed that the rig will not gain work for a short period of time. A warm stacked rig is regularly maintained, and machinery is kept warm, minimising the reactivation time, but increasing the operation cost while idle (compared to a cold stacked rig). Crew is also retained with essential crew remaining on the rig to perform regular maintenance activities and the remaining crew retained on unpaid leave, and the rig is actively marketed and considered a part of supply while warm stacked.

C- Cold stacked

A cold stacked rig is virtually abandoned as no crew is retained and machinery is shut-off. Rig can be stacked for variable periods with cost depending on the level of conservative measure taken. Cold stacking reduces the cost of the rig while idle significantly compared to warm stacked, however both the reactivation time and cost to bring the rig back on active duty is increased. To reactivate a cold stacked rig, crew must be rehired, and inspection, testing and other reactivation procedures are required to bring the rig back to operating conditions. In general, it will be more cost efficient to cold stack a rig if it is expected to be stacked for more than 12 months.

D- Retired

When it is expected that a rig will not be able to gain more drilling work, the rig owner can either sell the rig for scrapping or the rig can be converted to other non-drill related uses, most commonly as accommodation units.

3.2.2 Hydrocarbon Supply Segments

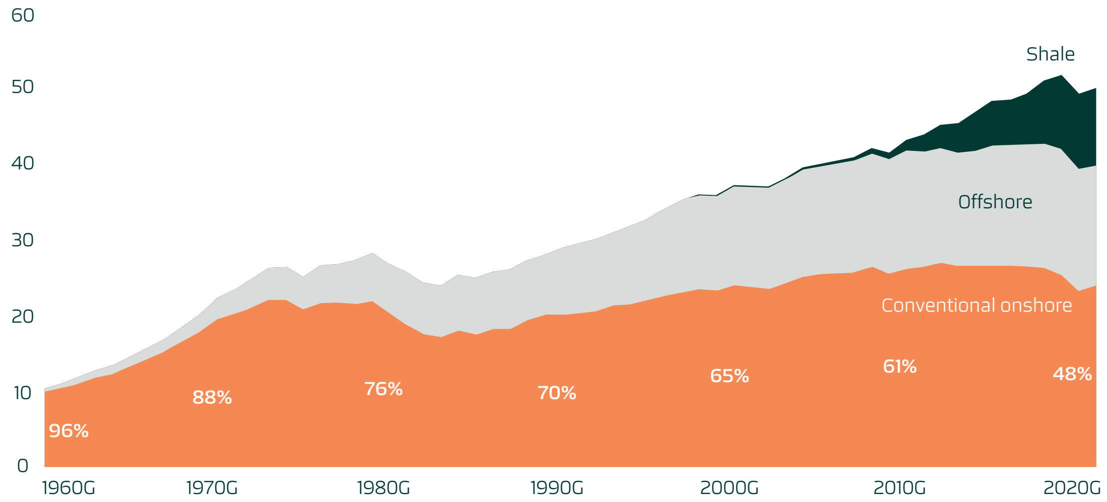
Historically, conventional onshore production represented the primary source of hydrocarbon production. From the 1970G's onwards, production from offshore supply sources began to increase in prevalence as innovation drove technical advancements facilitating access to increasingly more technically challenging sources of supply. Over the past decade, production from shale or unconventional supply sources increased in relative share of supply. Again, this development was as a result of technical advancement and the adoption of new techniques for producing hydrocarbons. As of 2021G, conventional onshore production is the largest supply segment at 48.0 per cent. of the total, offshore production follows at 31.0 per cent. with the remaining 21.0 per cent. comprised of shale-sourced production volumes.

The easier access to potential onshore sources of hydrocarbons results in lower exploration costs when compared with offshore. Onshore development costs are also lower, reducing the return-on-investment hurdles for operating companies. Upon the discovery and development of onshore resources, brownfield activities on onshore assets are often rig-intensive demanding the use of land rigs for infill drilling and workover activities. Such is the case for the Group's key market, the Kingdom, where land rigs are often contracted for long durations to conduct brownfield-related activities. The lower risk profile associated with onshore developments results in the related activities being much more resilient during periods of lower oil prices, often representing the first activities resumed during the beginning of new oil price cycles. In many instances onshore brownfield-related activities are performed on a continuous basis, regardless of the position in the market cycle. In the Kingdom, the Market Consultant estimates that the onshore capex required to meet production estimates between 2021G to 2025G is approximately USD 4 per barrel of oil equivalent. The equivalent OPEX required to meet production estimates between 2021G to 2025G is approximately USD 1 per barrel of oil equivalent. Such superior economics result in the Kingdom representing the lowest cost source of supply globally and the source of supply likely to continue in the long term.

Offshore developments take place in either shallow or deeper waters with the former often requiring production facilities fixed to the seabed and the latter often requiring floating facilities. The higher cost associated with offshore developments means that activities are more influenced by oil price cyclicality, especially in deep water developments. However shallower water developments in more benign operational environments, such as those found offshore in the Kingdom, are the most favourable from a risk perspective, especially for brownfield-related activities. In the Kingdom, the Market Consultant estimates the offshore capex required to meet production estimates between 2021G to 2025G is approximately USD 5 per barrel of oil equivalent. The equivalent OPEX required to meet production estimates between 2021G to 2025G is approximately USD 2 per barrel of oil equivalent.

The following exhibit outlines historical global liquids and gas production from 1960G to 2021G, split by supply segment:

Exhibit (3.14): Global Liquids and Gas Production, Split by Supply Segment (Billion barrels of oil equivalent) from 1960G to 2021G



Source: Rystad Energy AS, UCube, February 2022G.

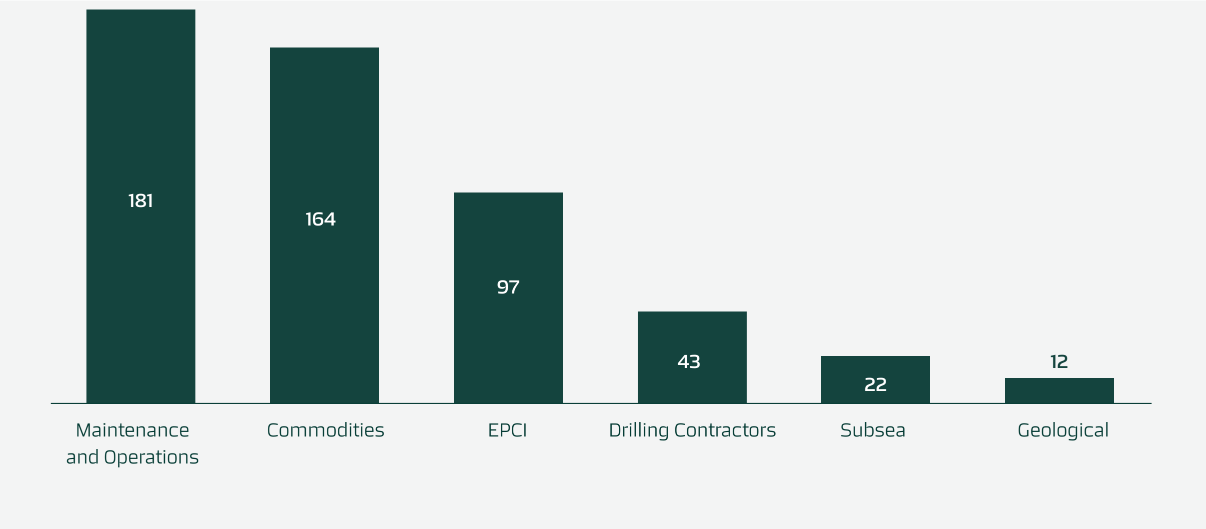
3.2.3 Oilfield Services Market

Oilfield service companies generate revenue by providing equipment and services to E&P companies across the E&P value chain to support the activities required to produce hydrocarbons. Oilfield service companies can broadly be segmented by the following offerings:

- maintenance and operations;
- well services and commodities;
- engineering, procurement, construction and installation;
- drilling contractors; and
- subsea services and geological survey works.

The following exhibit outlines global oilfield service expenditure in 2021G, split by service segment:

Exhibit (3.15): Global Oilfield Service Expenditure in 2021G, Split by Service Segment (USD billion)



Source: Rystad Energy AS, ServiceDemandCube, February 2022G.

As of the date of this Prospectus, the market for drilling contractors in terms of E&P expenditure in 2021G was estimated by the Market Consultant to be USD 43 billion. Of this USD 43 billion, USD 33 billion of E&P expenditure is estimated by the Market Consultant to be for onshore and offshore shallow water drilling contractors. The Market Consultant estimates that USD 10 billion of E&P expenditure is for deeper water drilling contractors. The Group does not own deeper water rigs as such rigs are not appropriate for the market in which the Group operates, the Kingdom. This market size relevant for the Group represents the day rate element of drilling rigs, including part of the crew required to operate the rig. Within this market, all units are included, in both onshore and offshore shallow water operational environments. The total market for oilfield services in 2021G was estimated to be USD 519 billion, with onshore and offshore shallow water drilling contractors representing 6.0 per cent. of total E&P expenditure on oilfield services.

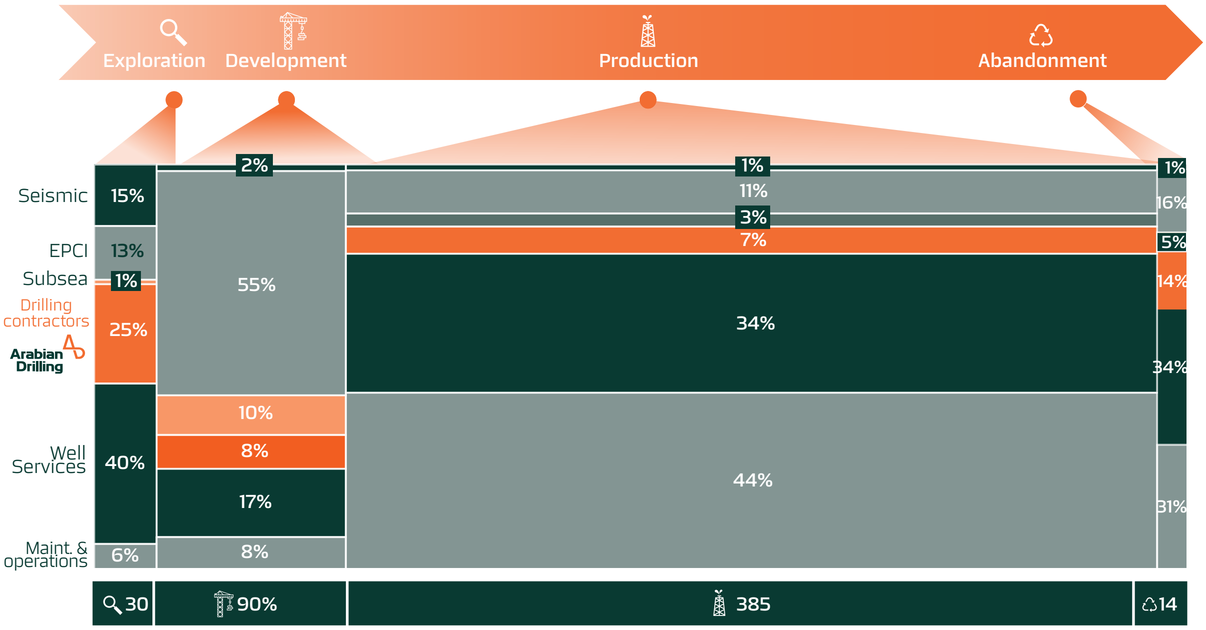
The Group primarily operates land rigs for which the global 2021G market size was estimated by the Market Consultant to be USD 23 billion, representing 70.0 per cent. of the global onshore and offshore shallow water drilling contractor market size in 2021G. In addition to land rigs the Group also operates jack-up rigs in offshore shallow water operational environments where the global market size in 2021G was estimated by the Market Consultant to be USD 10 billion USD, or 30.0 per cent. of the global onshore and offshore shallow water drilling contractor market size in 2021G.

The Group operates in the Middle East and North Africa region (MENA) where the Market Consultant estimates that the onshore and offshore shallow water drilling contractor market size in 2021G was USD 6 billion, representing 19.0 per cent. of the global onshore and offshore shallow water drilling contractor market size, including land rigs and jack-ups.

Beginning at the first phase along the E&P value chain, the exploration phase, global oilfield service expenditure in 2021G on drilling contractors was estimated by the Market Consultant to be 25.0 per cent., or USD 7 billion, of the total exploration-related expenditures, estimated to be USD 30 billion. Drilling contractor relevant activities during this phase are related to the drilling of exploration wells, followed by appraisal wells should hydrocarbons be discovered. During the initial phases of a development, production and injection wells are drilled by drilling contractors. For the development phase, global oilfield service expenditures on drilling contractors comprised 8.0 per cent., or USD 8 billion, of global oilfield service expenditure in 2021G which totalled USD 90 billion. Throughout the producing life of a development, drilling contractors' activities relate to drilling new production wells on existing developments and the enhancement of existing producing wells. During the production phase, drilling contractors comprised 7.0 per cent., or USD 26 billion, of the global oilfield service expenditure which in 2021G was estimated to be USD 385 billion. At the end of the producing life of a development, the abandonment phase, drilling contractors comprised 14.0 per cent. of global oilfield service expenditure, or around USD 2 billion. Overall, over three times more expenditure takes place on drilling contractors during the production phase compared against the second largest development phase. The Group derives the majority of revenues from the production phase.

The following exhibit disaggregates total E&P expenditure 2021G, split by project lifecycle and service segment:

Exhibit (3.16): Total E&P expenditure in 2021G, Split by Project Lifecycle and Service Segment (Billion USD)



Source: Rystad Energy AS, ServiceDemandCube, February 2022G.

3.2.4 Drilling Contractor Market

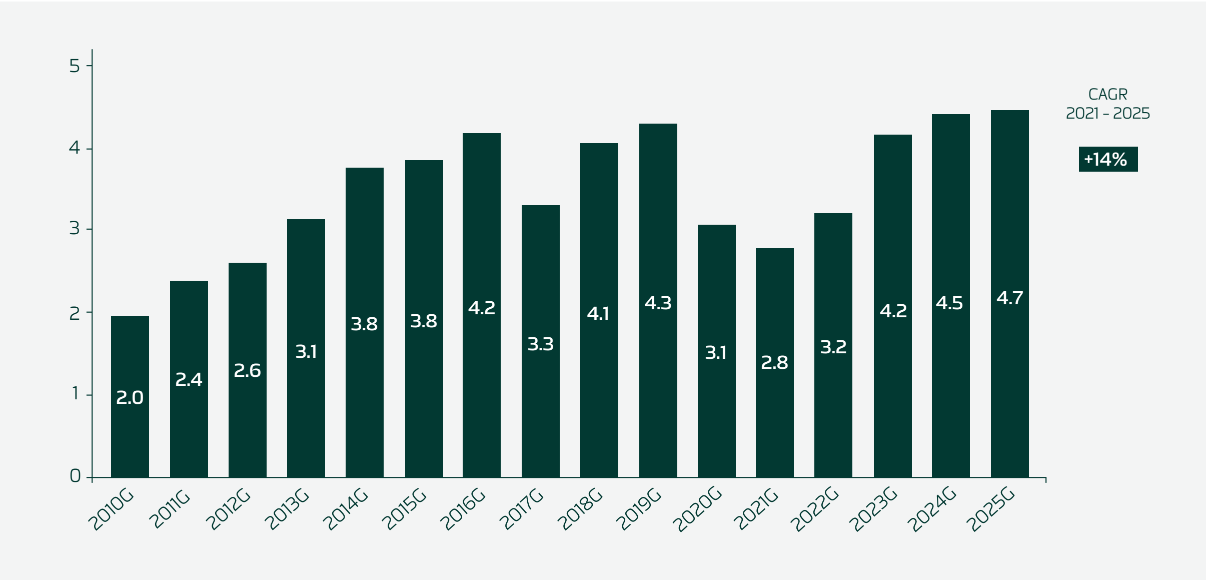
In 2021G, global E&P expenditure on onshore and offshore shallow water drilling contractors is estimated by the Market Consultant to be USD 33 billion. In aggregate, MENA onshore and offshore shallow water drilling contractor's expenditure represented 19.0 per cent., or USD 6 billion, of the global E&P expenditure on onshore and offshore shallow water drilling contractors in 2021G. This excludes offshore deeper water expenditure which the Market Consultant estimated to be USD 10 billion in 2021G. Total E&P expenditures on onshore and offshore shallow water drilling contractors in the Group's key market, the Kingdom, totalled just below 8.0 per cent., USD 3 billion, of global onshore and offshore shallow water drilling contractor expenditure.

Further details on the forecasts of the drilling market in the Kingdom, based on the Supplementary Information provided by the Market Consultant in June 2022G, indicate an expected significant increase in the offshore rigs count in the Kingdom due to Saudi Aramco's award of multiple offshore rigs contracts, which has a positive effect on the total expenditures of the exploration and production industry on offshore drilling contractors in the Kingdom, compared to the levels earlier noted in the Market Study Report. These forecasts are also based on a significant growth in Saudi Aramco's contracts for the purpose of providing additional offshore jack-up drilling rigs.

The Market Consultant forecasts as of the date of this Prospectus that total MENA E&P expenditures on onshore and offshore shallow drilling contractors to grow at a CAGR of five per cent. between 2021G to 2025G. The Kingdom announced intentions to increase production capacity to 13.0 million barrels of oil equivalent per day by 2027G. Such ambitions require increasing overall E&P expenditure on drilling contractors, with the Kingdom expected to increase onshore and offshore shallow water drilling contractor expenditure at a CAGR of 13.0 per cent. per annum from 2021G to 2025G.

The following exhibit outlines the E&P expenditure for onshore & offshore shelf drilling contractors in 2021G in the Kingdom:

Exhibit (3.17): E&P Expenditure for Onshore & Offshore Shelf Drilling Contractors in 2021G in the Kingdom (billion USD)



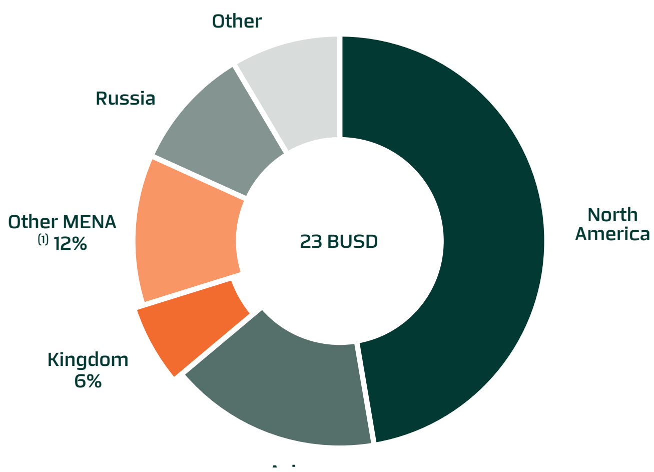
Source: Rystad Energy AS, Estimates, June 2022G.

3.2.4.1 Onshore Drilling Contractor Market

In 2021G the Market Consultant estimates that global E&P expenditure on onshore drilling contractors was 70.0 per cent. of total onshore and offshore shallow water drilling contractor expenditure at USD 23 billion. In the Kingdom, onshore drilling contractor expenditure in 2021G was approximately USD 1.4 billion.

The following exhibit outlines the global E&P expenditure for onshore drilling contractors in 2021G, split by continent:

Exhibit (3.18): Global E&P Expenditure for Onshore Drilling Contractors in 2021G, Split by Continent (billion USD)



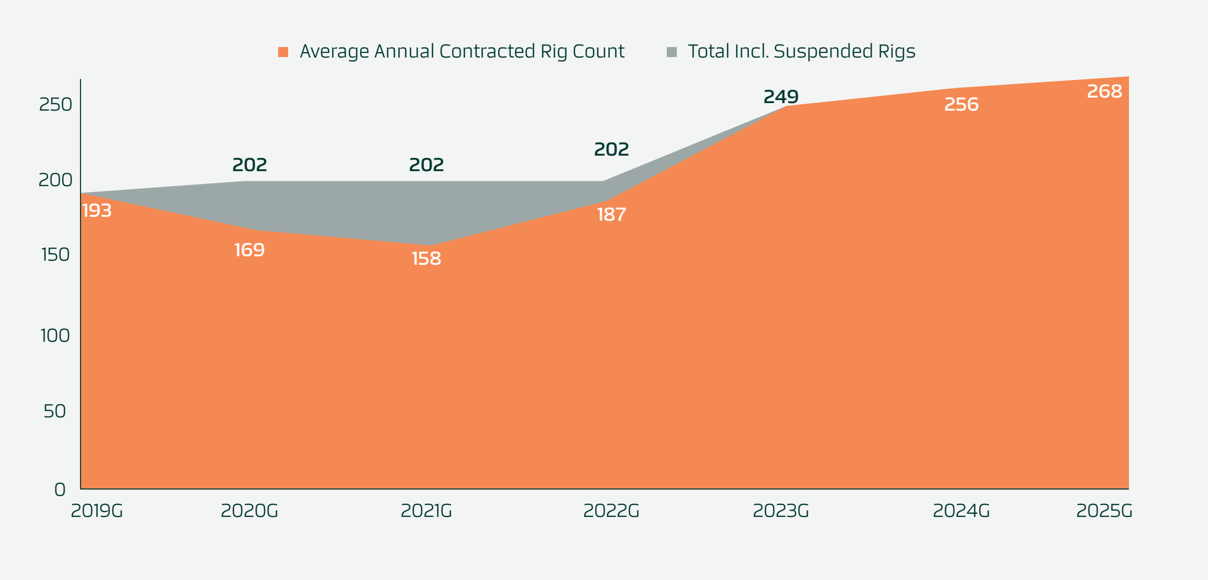
Source: Rystad Energy AS, Estimates, February 2022G.

(1) Other MENA includes all other Middle Eastern and North African countries excl. the Kingdom.

The number of rigs operating in the MENA region and specifically the Group's key market, the Kingdom, has broadly been recovering since the oil price crash of 2015G. The impact of Covid-19 resulted in a large number of contract suspensions resulting in reduced utilisation levels throughout 2020G-2021G. However, provided Covid-19 related disruptions ease, as of the date of this Prospectus, the Market Consultant expects that the majority of the rigs under suspension will resume operation within a relatively short time period resulting in increased utilisation levels. In the Kingdom, as of the date of this Prospectus active land rig counts are expected by the Market Consultant to surpass 2019G levels by 2023G, driving utilisation levels to 100.0 per cent. of the rigs available in country in 2021G. Such outlooks are supported by Saudi Aramco's stated ambitions of increasing crude oil capacity to 13.0 million barrels of oil by 2027G. Furthermore, intensified drilling for unconventional gas at the Jafurah field is expected to drive demand for further incremental land drilling rigs from 2021G to 2030G.

The following exhibit outlines historical and forecast onshore rig demand in the Kingdom from 2019G to 2025G:

Exhibit (3.19): Historical and Forecast Onshore Rig Demand in the Kingdom from 2019G to 2025G (Average Annual Contracted Rig Count)



Source: Rystad Energy AS, Estimates, February 2022G.

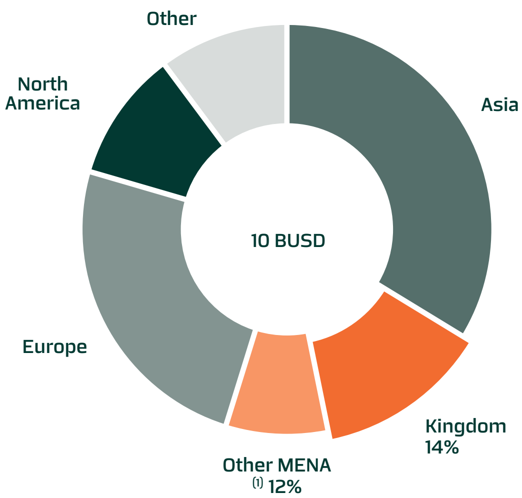
The majority of land drilling rigs in the Kingdom are between 1,500 to 2,000+ horsepower which over the past decade the Market Consultant observed to attract the highest day rates. Rates associated with the drilling rigs in such horsepower ranges in the MENA region range between USD 25,000 to 45,000 per day and over recent years exhibited an increase in rate level. The Kingdom is viewed as a premium market driven by high equipment specifications, certification requirements and overall technical capabilities. The Kingdom's national oil company, Saudi Aramco, procures rigs based on a Rig Efficiency Index selection (see Section 4.5.2 (*Operational Efficiencies*)). The Market Consultant's latest day rate level expectations in the Kingdom as of the date of this Prospectus suggest that 1,500 to 2,000 horsepower land drilling rigs in the Kingdom achieve day rate levels between 28,000 to 37,000 USD per day. The highest horsepower land drilling rigs are in the range of 33,000 to 45,000 USD per day. Overall, the day rate achieved depends on rig specification, contract duration and the operation being performed by the rigs. For example, as of the date of this Prospectus, drilling for gas in the Kingdom attracts the highest-tier day rates.

3.2.4.2 Offshore Drilling Contractor Market

In 2021G, global E&P offshore shallow water drilling contractor expenditure was estimated to be 30.0 per cent. of total drilling contractor expenditure at USD 10 billion. In the Kingdom, offshore shallow drilling contractor expenditure in 2021G was estimated by the Market Consultant to be USD 1.3 billion.

The following exhibit outlines the global E&P expenditure for offshore shallow water drilling contractors in 2021G, split by continent:

Exhibit (3.20): Global E&P Expenditure for Offshore Shallow Water drilling Contractors in 2021G, Split by Continent (Billion USD)



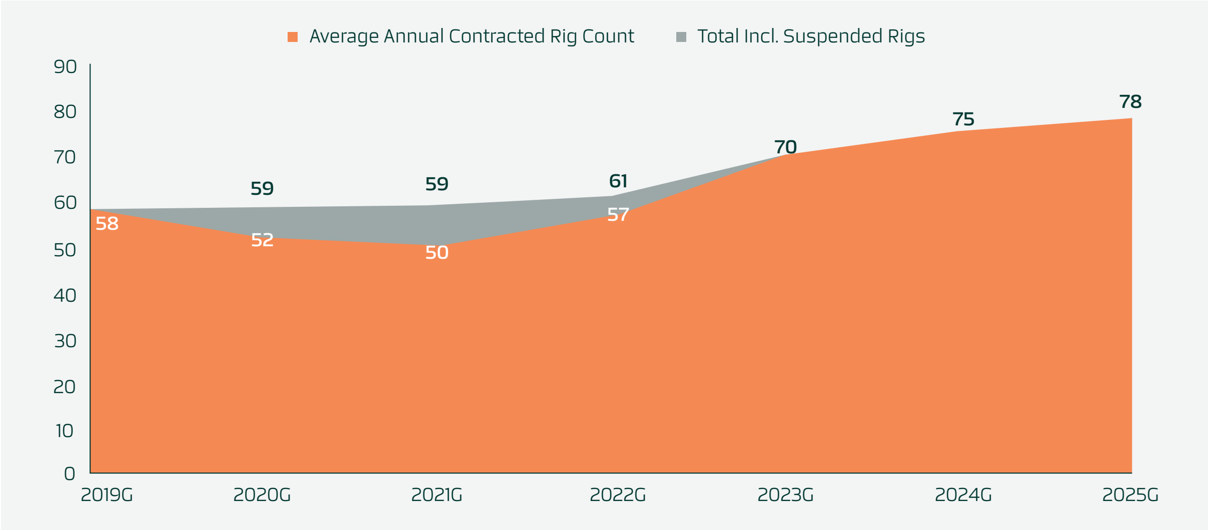
Source: Rystad Energy AS, Estimates, February, 2022G.

(1) Other MENA includes all other Middle Eastern and North African countries excl. the Kingdom.

Demand for jack-up rigs in the Kingdom increased throughout the past two decades. The impact of Covid-19 resulted in jack-up rig contract suspensions which, as for land drilling rigs, are expected by the Market Consultant as of the date of this Prospectus to resume operation and surpass 2019G levels by 2023G, provided that Covid-19 related disruptions ease. In addition, Saudi Aramco issued tenders for further incremental jack-up rigs in order to boost output across key offshore fields including Safaniya. Saudi Aramco has also awarded a large number of contracts for self-elevating offshore drilling rigs, which led to an increase in the expected average number of contracted drilling rigs annually for the years 2024G and 2025G as at the date of this Prospectus, according to the Market Consultant. As a result, as of the date of this Prospectus, the Market Consultant expects jack-up rig demand and associated supply to reach new heights by 2025G. As the utilisation of jack-ups is expected to increase and approach 100.0 per cent. of 2019G levels, incremental additions to the rig count are expected. The Supplementary Information indicates an expected significant increase in the offshore rigs count in the Kingdom due to Saudi Aramco's award of multiple offshore rigs contracts, which has a positive effect on the demand for self-elevating offshore drilling rigs, which positively affects the average number of rigs contracted annually in the Kingdom compared to the levels previously indicated in the Market Study Report. As of the date of this Prospectus, the Market Consultant estimates latest average day rates across the various classes to be USD 80,000 per day for the MENA region. As of the date of this Prospectus, the Market Consultant estimates latest average day rates for standard and premium class jack-ups to range between USD 80,000 – USD 105,000 per day in the Kingdom.

The following exhibit outlines expected jack-up rig demand in the Kingdom from 2019G to 2025G:

Exhibit (3.21): Expected Jack-up Rig Demand in the Kingdom from 2019G to 2025G (Average Annual Contracted Rig Count)



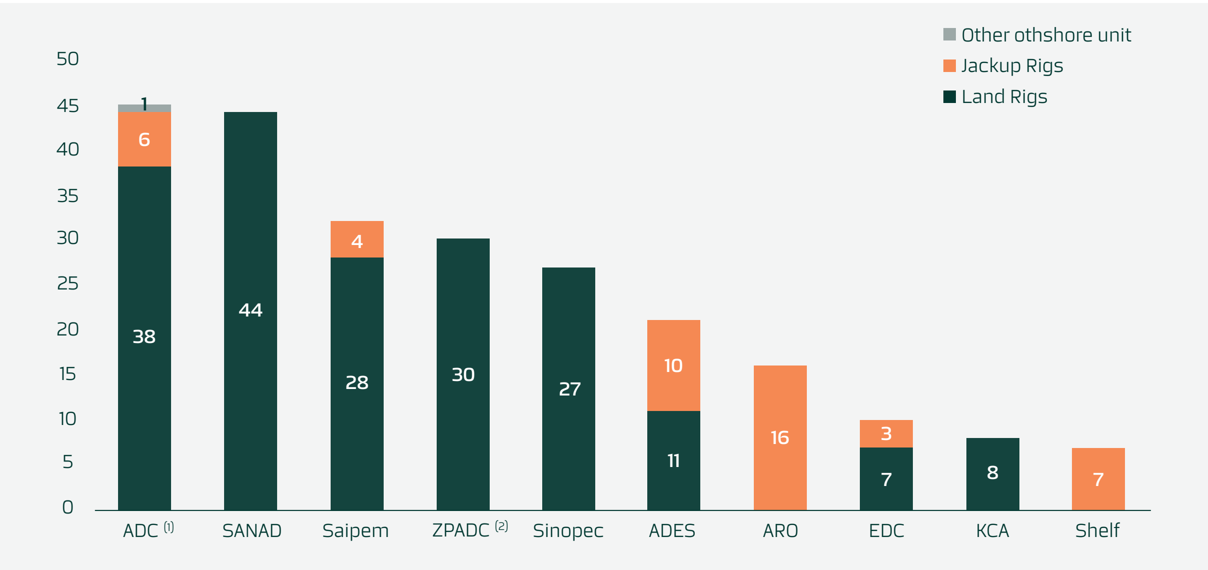
Source: Rystad Energy AS, Estimates, June 2022G.

3.2.5 Drilling Contractor Landscape in the Kingdom

In 2021G, in the Kingdom, the Market Consultant estimates that the Group was the largest drilling rig contractor in terms of fleet size with an estimated 17.0 per cent. market share of the rigs and other offshore units available in the country, based on 45 units as of 31 December 2021G out of a total of 261 units as of 31 December 2021G. This rig count based market share includes both land rigs, offshore jack-ups and for the Group, this includes the inclusion of one MPSV. The count excludes coiled tubing and snubbing units. The rig counts outlined include suspended rigs.

The following exhibit outlines the top ten land drilling and offshore contractors by rig in the Kingdom count as of 31 December 2021G, split by rig type:

Exhibit (3.22): Top Ten Land Drilling and Offshore Contractors by Rig Count in the Kingdom as of 31 December 2021G, Split by Rig Type (# rigs)



Source: Rystad Energy AS, Estimates, February 2022G.

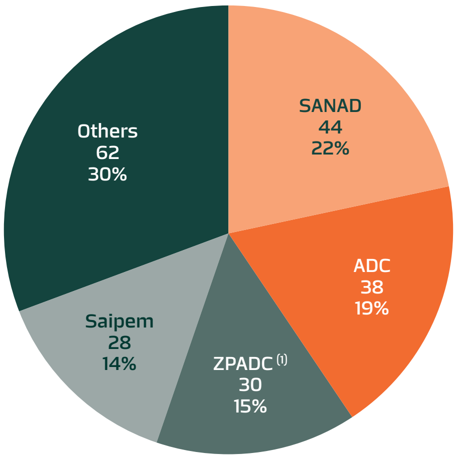
(1) The Group includes one other offshore unit representing an MPSV. The Group's rig count excludes one jack-up held for sale as of the date of this Prospectus.

(2) ZPADC is a subsidiary of Sinopec.

In terms of onshore rigs, the Group was the 2nd largest drilling contractor in the Kingdom with a market share of 19.0 per cent. based on a rig base of 38 units out of a total of 202 units as of 31 December 2021G.

The following exhibit outlines the largest land drilling contractors in the Kingdom by rig count as of 31 December 2021G, split by contractor:

Exhibit (3.23): Largest Land Drilling Contractors in the Kingdom by Rig Count as of 31 December 2021G, Split by Contractor



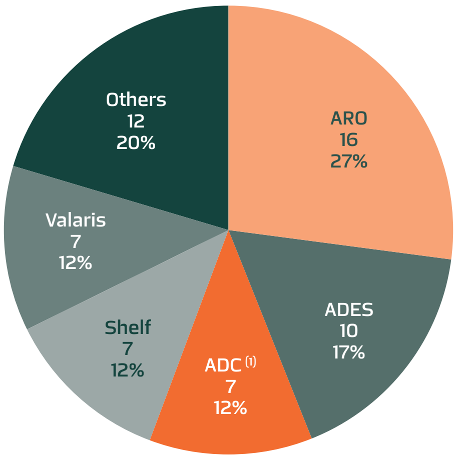
Source: Rystad Energy AS, Estimates, February 2022G.

(1) ZPADC is a subsidiary of Sinopec.

For the offshore market, the Group was the joint 3rd largest offshore contractor in the Kingdom with a market share of 12.0 per cent., along with Shelf and Valaris. The Group owned a rig base of seven units on as of 31 December 2021G out of a total of 59 units as of 31 December 2021G.

The following exhibit outlines the largest offshore contractors in the Kingdom by rig count in 2021G, split by contractor:

Exhibit (3.24): Largest Offshore Contractors in the Kingdom by Rig Count as of 31 December 2021G, Split by Contractor



Source: Rystad Energy AS, Estimates, February 2022G.

(1) The Group includes one other offshore unit representing an MPSV. The Group's rig count excludes one jack-up held for sale as of the date of this Prospectus.

The Group's main competitors in the Kingdom include the Kingdom's national drilling contractor JV, SANAD, the international drilling contractor Saipem, the Chinese drilling contractor, Sinopec, and associated subsidiary ZPADC.

3.2.6 Drilling Contractor Payment Mechanisms

The commercial agreement between drilling contractors and E&P companies can vary in terms of both compensation method and the overall structure of contract. In terms of compensation mechanism, drilling contractors receive payment through three overarching pricing mechanisms. The most prevalent globally is a day rate contract where the drilling contractor is paid a specific rate per day for the provision of the rig and the crew required to operate the rig. Fixed fee pricing mechanisms are also used, where the drilling contractor will receive a fixed sum to drill a set number of wells. Footage rate pricing mechanisms are less common and require the drilling contractor to reach a certain performance level, typically in terms of a USD/ft or USD/meter metric, to meet the requirements for different payment tranches. For land rigs, the drilling contract can also include support services such as water, catering, base camp and the provision of cranes, forklifts and other heavy machinery required to assemble the rig, construct the drill site and perform drilling operations.

Integrated contracts refer to contracts where an intermediary such as a well service company have historically been used to act as an integrator, providing project management of the well delivery contract to varying degrees, dependent on the agreement. During the entire process of constructing of a well, it is often the case that many different oilfield service companies specialising in certain tasks are required, sometimes operating simultaneously. With many interfaces to manage, it can be the case that the operator opts for the intermediary to project manage the process to ensure efficiency project delivery. The operator's willingness to accept such a contract structure is dependent on the operational environment, technical specifications and individual operator preferences. Under an integrated contract, the Group would be contracted by an intermediary, such as the Schlumberger Group, a global oilfield service company. The Group generates revenue through day rate contracts exclusively.

In addition to the principal day rate, drilling contracts also include additional rates and fees. Standby rates represent a rate tranche that is active when a rig is on site, ready to drill yet the drilling has not yet been initiated by the customer and is typically set as a percentage of the operating day rate. Mobilisation and demobilisation (mob/demob) fees are typically paid as a lump sum at the start and the end of a contract. Mob/demob fees differ from a movement rate or fee which is a separate charge relating to the movement of a rig in accordance with the customer's requirements and typically represents either a percentage of the day rate or is based on a per rig move basis.

3.2.7 Drilling Contractor Segments

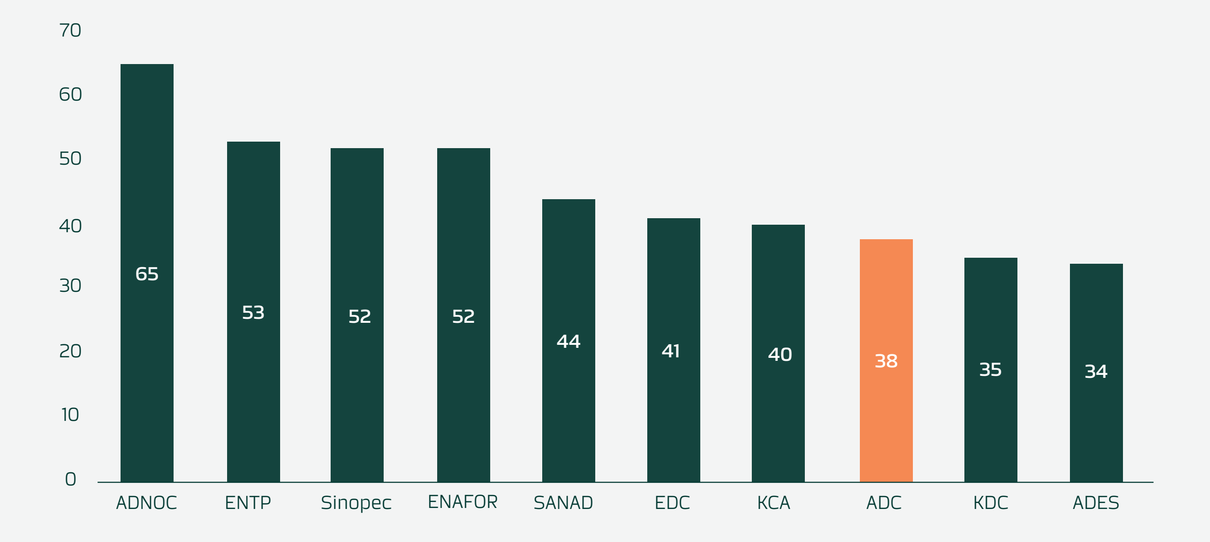
Drilling contractors in the MENA region can be divided into four distinct segments, as defined by varying characteristics in terms of how the contractor operates. First, a segment of contractors is identified as national / joint venture contractors, the segment in which the Group belongs. Such contractors are either owned or partly owned by national or state-owned companies. Alternatively, the contractors are companies that have formed a joint venture with a national or state-owned, or partly owned, company to operate in the country. Such contractors often have very well-established relationships with national oil companies, on some occasions benefiting from preferential contractual frameworks. Depending on the country of operation and the contractor in question, such preferential contractual frameworks can result in guaranteed contract awards. Of the 870 land and jack-up rigs identified in the MENA region, 63.0 per cent. are owned by contractors belonging to this segment.

Other contractor segments include regional contractors, identified as drilling contractors exclusively operating in the MENA region. The two remaining segments are premium international drilling contractors and other international drilling contractors, with premium international drilling contractors distinguished by the ability to achieve higher pricing due to a perceived higher service quality and equipment maintenance.

In terms of land rigs, the Market Consultant estimates that the Group was the 8th largest drilling contractor in the MENA region based on rig count as of 31 December 2021G. The largest drilling contractor was ADNOC with rigs exclusively in the UAE. The rig contractors are split by the specific legal entity through which they operate within each country market, rather than by the wider group company.

The following exhibit outlines the largest land drilling contractors in MENA by rig count as of 31 December in 2021G. The rig count includes all land drilling rigs recognised as available in Algeria, Bahrain, Egypt, Kuwait, the Kingdom, Oman, Qatar and the UAE:

Exhibit (3.25): Largest MENA Land Drilling Contractors by Rig Count as of 31 December 2021G, Contractor

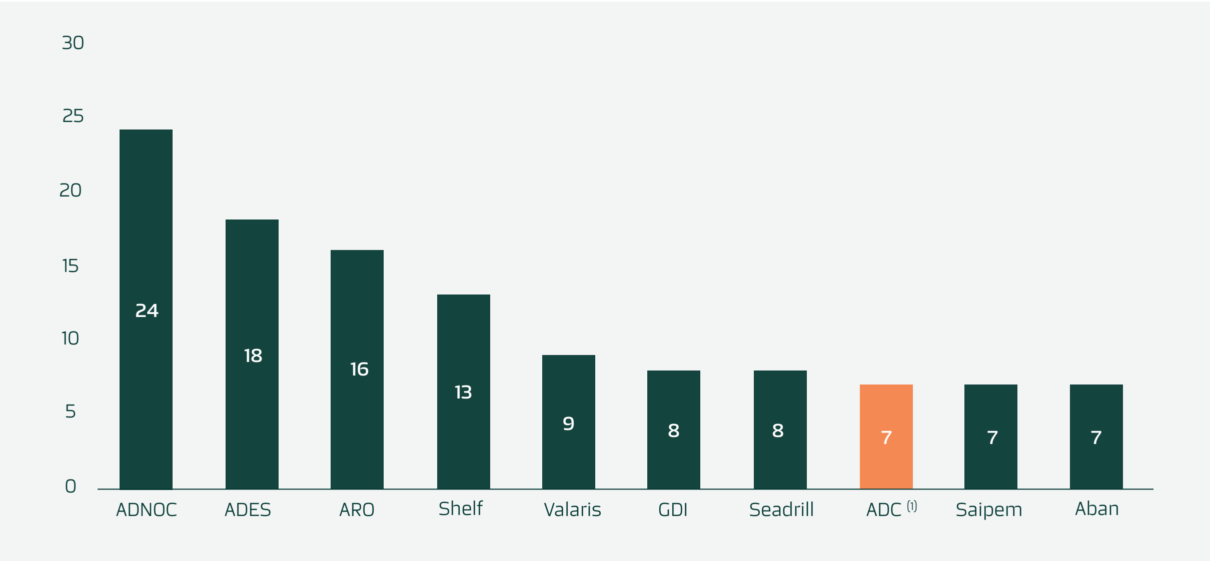


Source: Rystad Energy AS, Estimates, February 2022G.

For offshore rigs based on rig counts as of 31 December 2021G, the Group was the 8th largest offshore contractor in the MENA region. ADNOC drilling is the largest offshore contractor, with rigs exclusively in the UAE.

The following exhibit outlines the largest offshore contractors in MENA by rig count as of 31 December 2021G. The rig count includes all jack-up drilling rigs located in Algeria, Bahrain, Egypt, Kuwait, the Kingdom, Oman, Qatar and the UAE:

Exhibit (3.26): Largest MENA Offshore Contractors by Rig Count as of 31 December 2021G



Source: Rystad Energy AS, Estimates, February 2022G.

(1) The Group includes one other offshore unit representing an MPSV. The Group's rig count excludes one jack-up held for sale as of the date of this Prospectus.

3.2.8 Localisation

The Group's key market, the Kingdom, together with relevant neighbouring countries Kuwait and Oman, all have local content laws, referring to the proportion of the workforce involved in domestic industries that are nationals.

Saudization initiatives were initiated in 2015G to baseline, measure and support increased levels of localisation in the Kingdom. The goal of the program was to reach 70.0 per cent. local content by 2021G (see Section 5.9 (*Employees*)). As part of Kuwait's 2040G corporate strategy laid out in 2018G, several goals regarding increasing local content have been set. In 2013G, Oman established the oil and gas industry in-country development program with the intentions of encouraging Omanization and more local content sourcing. The overall impact of government led initiatives to increase local content in domestic industries will drive the preferential selection of drilling contractors, such as the Group, during contract awards based on the proportion of national employees.

4. BUSINESS DESCRIPTION

4.1 Overview

Arabian Drilling Company is a Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 and with Commercial Registration No. 2051026089, dated 3 Safar 1423H (corresponding to 16 April 2002G). The Company was initially established as a joint venture on 25 Thul-Qi'dah 1383H (corresponding to 7 April 1964G) and incorporated as a closed joint stock company on 26 Muharram 1389H (corresponding to 13 April 1969G) with Commercial Registration No. 2050002237, dated 26 Muharram 1389H (corresponding to 13 April 1969G), before converting to a limited liability company on 30 Safar 1420H (corresponding to 14 June 1999G), and a closed joint stock company on 10 Rabi' al-Thani 1443H (corresponding 15 November 2021G). The current share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Company's capital after the Offering will be eight hundred and ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, as a result of the Company's capital increase through the offering of newly issued nine million (9,000,000) Shares, (representing 10.11 per cent. of the Company's share capital after the increase) for public subscription. For further information on the evolution of the Company's share capital and legal structure, see Section 4.9 (*Evolution of Capital*). The Company's registered address is located in 3395 Prince Sultan Bin Abdulaziz Street, Aljawharah District, Al Khobar 34434, Kingdom, whereas the Company's head office is located in Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia. The Company has one wholly-owned Saudi Arabian subsidiary, Ofsat Arabia LLC, which is incorporated in the Kingdom (the "**Subsidiary**", and together with the Company, the "**Group**"). As of the date of this Prospectus, the Company has two shareholders, The Industrialization & Energy Services Company (TAQA) owning 51.0 per cent. of the Shares and Services Pétroliers Schlumberger S.A. ("**SPS**") owning 49.0 per cent. of the Shares, as set out in Table 4.18 (Direct Ownership Structure of the Company Pre- and Post-Offering).

As estimated by the Market Consultant, the Group was the largest drilling rig contractor in the Kingdom in terms of its available rig fleet size, with 45 rigs as of the date of this Prospectus in the Kingdom and the Saudi Arabia-Kuwait Neutral Zone (the "**Neutral Zone**") (comprising 38 onshore and seven offshore rigs (including one multi-purpose services vessel (the "**MPSV**")) and excluding one offshore rig held for sale). The Group increased its fleet size in the last five years from 35 as of 31 December 2017G to 45 as of 31 December 2021G. In particular, the Group was able to mobilise and operate 16 rigs in 2018G (both newly acquired rigs and upgraded rigs) within one year of acquisition.

As of 31 December 2021G, 37 of the 45 rigs (31 onshore and six offshore) were contracted and utilised, with eight other rigs not in operation (of which three were contracted but temporarily suspended, one was contracted but has yet to commence operations, four were uncontracted and idle). As of the date of this Prospectus, three onshore rigs have resumed drilling operations between January and June 2022G and another offshore rig has resumed drilling operations in April 2022G.

The Group also received notice for resumption of operations for an onshore drilling rig (which is the last rig subject to suspension) and the Company is in the process of reactivating the rig, which is expected to resume operations by the end of September 2022G, thus increasing the contracted and active rig count from 37 rigs to an expected 42 rigs at the end of September 2022G. Out of the remaining three uncontracted and idle rigs, one is under contract negotiations with a new customer and the remaining two would require significant upgrade to be placed with customers. Moreover, as of the date of this Prospectus, the Company has received drilling contract awards for four offshore rigs, of which two have been signed and the remaining two are expected to be signed in the third quarter of 2022G.

As of 31 December 2021G, the total number of active onshore and offshore rigs in the Kingdom and the Neutral Zone were 261 rigs (of which 59 offshore rigs (including two rigs in the Neutral Zone) and 202 onshore rigs). According to the Market Study Report, of which the Group had an estimated 19.0 per cent. market share for onshore operations and an estimated 12.0 per cent. market share for offshore operations, representing a combined onshore and offshore market share of 17.0 per cent. For details of the Group's competitors and their respective market share, see Section 3.2.5 (*Drilling Contractor Landscape in the Kingdom*).

The Group's core activities consist of the following key segments (for further details, see Section 4.5 (*Overview of the Group's Business*):

- onshore segment, which includes provision of drilling and related services through onshore rigs. Onshore drilling is a mechanical process where a well is drilled on land through underlying bedrock utilising a stationary land rig to explore for and extract oil or natural gas operating in the Kingdom. The Group's onshore fleet ranges from medium to ultra-heavy rigs, capable of handling complicated horizontal drilling operations and working in harsh environments (such as in the Middle East). As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services; and
- offshore segment, which includes provision of drilling and related services through offshore rigs. The Group's offshore drilling services include ultra-heavy duty jack-up rigs outfitted with high specification equipment, capable of drilling in water depth up to 375 feet (115 metres). In the offshore segment, the Group mainly operates on the shores off the Eastern coast of the Kingdom and the Neutral Zone. The Group also operates a self-propelled MPSV, providing well intervention and well testing services for its customers. As part of this segment, the Group also provides rig move services, mobilisation, catering, manpower and other services.

The Group also provides other services mainly related to logistics services through the Subsidiary, which is not considered as a separate reportable segment.

The Group's total comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G was SAR 225.0 million, SAR 294.3 million and SAR 295.7 million, respectively, with total revenues of SAR 2.8 billion, SAR 2.5 billion and SAR 2.2 billion, respectively, for the same periods. As of 31 December 2019G, 2020G and 2021G, the Group had assets amounting to SAR 7.3 billion, SAR 6.9 billion and SAR 6.5 billion, and liabilities of SAR 3.7 billion, 3.0 billion and SAR 2.4 billion, respectively. See Section 6.5.1.3 (*Gross Profit*) for more information regarding the profitability of the Group.

The Group primarily operates in the Kingdom and the Neutral Zone, but has also bid for tenders in Bahrain and submitted bids for tenders in Kuwait. According to the estimate of the Market Consultant, the Kingdom produced over 12.0 million barrels of oil equivalent per day in 2021G, representing 8.0 per cent. of global hydrocarbon production volumes. The Kingdom possesses vast resources within well-known and understood fields, which represent the lowest cost source of oil supply globally and a sustainable source of oil supply likely to continue in the long term. Estimates indicate that the Kingdom has the economic capability of producing the remaining resources across the largest fields for between 55 to 80 years, depending on the production area. The Market Consultant forecasts total hydrocarbon production in the Kingdom to grow at a CAGR of 3.0 per cent. from 2021G to 2025G with the total E&P expenditures in the Kingdom and specifically, the expenditures on onshore and offshore drilling contractors in that period at a CAGR of 13.0 per cent. The oil production in the Kingdom is also characterised by the lowest upstream emissions intensity globally when comparing with regional level aggregated values. Furthermore, given the low upstream emissions intensity per barrel of oil produced, the enhanced long-term sustainability associated is likely to defer the curtailment of production due to environmental concerns, as opposed to higher intensity barrels facing increasingly greater scrutiny on the global stage.

The Group's business model is founded on a lean cost structure characterised by a highly skilled work force, with an in-house maintenance and technical team and a lean organisational structure. As of 31 December 2021G, the Group's customers included Saudi Arabian Oil Company ("**Saudi Aramco**"), Al-Khafji Joint Operations ("**KJO**") and Schlumberger Middle East S.A and Dowell Schlumberger Saudi Arabia Ltd. (collectively, "**Schlumberger**"), which collectively comprised the entirety of the Group's drilling operations at that time. Saudi Aramco was the main customer (with 54.2 per cent. of the Group's total revenue deriving from Saudi Aramco and Schlumberger and KJO comprising 39.1 per cent. and 6.3 per cent., respectively, in the financial year ended 31 December 2021G). In addition, as of the date of the Prospectus, Baker Hughes Saudi Arabia ("**Baker Hughes**") was a customer of the Company. The Group has established longstanding customer relationships with all of its major customers. Many customers, including Saudi Aramco, require pre-qualification status to tender for contracts and typically award multi-year contracts, which limits the ability of new entrants to compete for work during the contracted period. Through numerous awards, including the In-Kingdom Total Value Add (IKTVA) Excellence Award for several consecutive years, the Group is consistently considered as one of the top drilling contractors in the Kingdom.

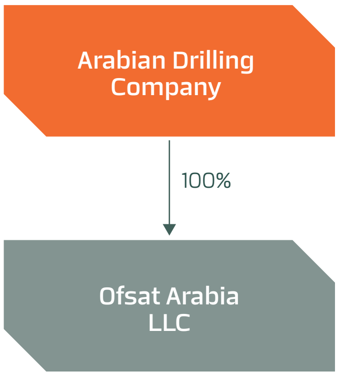
As of 31 December 2021G, the Company employed 3,913 employees (76.2 per cent. of whom were Saudi nationals) and the Group employed in total 4,419 employees (71.7 per cent. of whom were Saudi nationals). For further information on employees, see Section 5.9 (*Employees*).

4.2 Corporate History and Group Structure

The Group has 58 years of experience in the drilling industry, providing its customers with safe and cost-effective drilling services through a well-trained workforce and the use of modern technology and equipment. Having started operations with only one offshore rig, the Group has expanded its rig fleet to 45 rigs (onshore and offshore including one MPSV and excluding one rig held for sale) for gas and oil drilling as of the date of this Prospectus in pursuit of the Group's growth strategy of increasing onshore drilling market share (including most recently through the acquisition of 14 rigs in 2018G) and its implementation. All 14 new rigs acquired in 2018G commenced operations within one year of acquisition.

In 2017G, the Company acquired the Subsidiary as part of a vertical integration growth strategy to improve the efficiency of the rig move process. All the rig move services by the Group are performed by the Subsidiary. The ability of the Group to move rigs faster positively impacts the drilling revenue as the rig is back on day rates quicker. Since the acquisition, the Subsidiary has invested approximately SAR 224.8 million in new equipment, including cranes, trucks and flatbed trailers, supporting the Company's drilling operations and reducing the need to lease equipment from third parties. The following exhibit illustrates the Group's structure as of the date of this Prospectus:

Exhibit (4.1): The Group's Structure as of the Date of this Prospectus



Source: The Company.

Ofsat Arabia LLC is a limited liability company registered in Al Khobar under commercial registration No. 2051062078 dated 28 Muharram 1401H (corresponding to 6 December 1980G) issued in Al Khobar, Kingdom of Saudi Arabia. The head office of the Subsidiary is located in Aljawharah District, Prince Sultan Road, P.O Box 20074, Al Khobar 31952, Kingdom of Saudi Arabia. The current share capital of the Subsidiary is one million Saudi Arabian Riyals (SAR 1,000,000), consisting of one hundred (100) ordinary shares, with a nominal value of ten thousand Saudi Arabian Riyals (SAR 10,000) per share. According to its main commercial registration certificate, the Subsidiary's principal activities include services related to oil extraction (excluding surveying services), services related to natural gas extraction (excluding surveying services), renting passenger cars (without drivers), renting trucks, utility trailers and recreational vehicles (without drivers), renting buses (without drivers), and repair and maintenance of mining, construction, and oil and gas field machinery. The Subsidiary mainly provides logistics services; it manages and coordinates the transportation of complex drilling rigs and equipment to remote locations, allowing the Group to offer seamless services to its customers, including drilling rig transportation and operation services, by providing comprehensive support services with coordinated and integrated support from the Subsidiary.

The following table sets out the details of the Subsidiary, as well as the Company's shares in it as of the date of this Prospectus:

Table (4.1): The Ownership Structure of the Subsidiary as of the Date of this Prospectus

No.	Name of the Owning Company	Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
1.	Arabian Drilling Company	Ofsat Arabia LLC	Kingdom	100.0%	-	-

Source: The Company.

The following table illustrates certain key milestones in the Group's history since its formation until the date of this Prospectus:

Table (4.2): The Key Historical Changes and Events

Date	Change
1964G	• The establishment of the Company as a joint venture, owning one offshore rig, with 51.0 per cent. of the shares held by the General Petroleum and Mineral Organization and 49.0 per cent. of the shares held jointly by Société de Forages Pétroliers Languedocienne Forenco and Société Forex, which companies came under control of the Schlumberger Group as a result of a number of transactions over the course of 1968G – 1984G.
1969G	• The Company was incorporated as a joint stock company under the name "**Arabian Drilling Company**".
1972G	• Saudi Aramco became a customer of the Company. • Shares owned by Société de Forages Pétroliers Languedocienne Forenco and Société Forex, which constituted 49.0 of the Company's shares were gradually transferred to Schlumberger group through several transactions.
1990G	• Ownership of 49.0 per cent. of the Company's shares transferred to Services Pétroliers Schlumberger S.A. as a result of merger between Forex Neptune and Société de Prospection Electrique Schlumberger S.A., an affiliate of the Schlumberger Group.
1999G	• The Company was converted from a closed joint stock company to a limited liability company.
2003G	• The Industrialization & Energy Services Company (TAQA), a subsidiary of PIF, became the majority shareholder with 51.0 per cent. of the Shares.
2013G	• Schlumberger became a customer of the Company. • The Company acquired two new offshore drilling rigs "**AD50**" and "**AD60**"
2015G	• The Company acquired a brand new offshore rig with new driller cyber technology "**AD70**".
2017G	• The Company acquired Ofsat Arabia LLC.
2018G	• The Company was awarded the sole gas lump sum turnkey contract in the Kingdom with Schlumberger. • The Company acquired 14 additional rigs, bringing the total of its rigs to over 40, and a total of 16 new rigs including two acquired before 2018G commenced operations within one year of acquisition.
2019G	• The Company received the Saudi Aramco Excellence Award for "**Highest Overall IKTVA Performance**" in the industry.
2021G	• The Company closed the year with non-productive time of 0.74 per cent. as the lowest non-productive time in the previous seven years.
2021G	• The Company was converted to a closed joint stock company.The Company submitted tender proposals to expand its geographical footprint, including for projects in Bahrain and Kuwait after completing pre-qualification requirements. • Awarded IKTVA award for the 5th year in a row.
2022G	• The Company completed its first capital market transaction by raising SAR 2.0 billion debt through a *Shari'ah* compliant bond "**Sukuk**" offering. The transaction attracted strong demand, with the oversubscription reaching 3.4 multiple of the initial issuance size of SAR 1.6 billion. Accordingly, the Company increased the issuance size by a further SAR 400 million. • The Company's increased its share capital from SAR 22,580,000 to SAR 800,000,000 through capitalisation of retained earnings from the additional paid-up capital. • Two contract awards of three years each for two existing onshore rigs and two new offshore rigs. • The Company adopted its current logo and trademark "**Arabian Drilling**".

Source: The Company.

4.3 Vision and Mission

4.3.1 Vision

Leading sustainable drilling services.

4.3.2 Mission

Evolve our business to add value to our people, customers and shareholders by following the highest safety, technological and operational standards.

4.4 Competitive Strengths and Strategy

4.4.1 Competitive Strengths

The following are the six pillars of the Company's competitive strengths:

4.4.1.1 Poised to Benefit From its Strong Presence in the Kingdom which Is One of the Most Resilient and Growing Markets for Oil and Gas Activities

The Group primarily operates in the Kingdom which is a leading oil-producing country characterised by the lowest production costs in the world (as per the Market Study Report) and an ownership of drilling intensive legacy fields, all of which support relatively higher production levels and utilisation rates throughout the oil price cycle in contrast with other geographies and environments where the cost of production is greater and as such is more sensitive to swings in the oil price. As per the Market Consultant's forecasts, total hydrocarbon production in the Kingdom is expected to grow at a CAGR of 3.0 per cent. from 2021G to 2025G, driven primarily by the Kingdom's objective to increase production capacity to 13 million of standard barrels of crude oil by 2027G. E&P drilling CAPEX in the Kingdom is also expected to increase by 13.0 per cent. per annum from 2021G to 2025G to support increased production. It is expected that such factors will collectively result in driving the demand volume for onshore and offshore rigs in the Kingdom. Saudi Aramco, the Group's main customer, is the main operator of E&P activities in the Kingdom and has announced relevant annual E&P expenditure plans of SAR 150.0 - 187.5 billion for 2022G, compared to SAR 119.6 billion in 2021G and SAR 101.0 billion in 2020G, and CAPEX is expected to grow until middle of the decade. All of these factors combined are expected to drive onshore and offshore rig demand, which are projected to increase by 14.0 per cent. per annum and 8.0 per cent. per annum from 2021G to 2025G, respectively, as per the Market Study Report. Furthermore, the Kingdom has the lowest upstream emission intensity per barrel of oil produced, which enhances the long-term sustainability as it is likely to defer the curtailment of production due to environmental concerns, as opposed to higher intensity barrels facing increasingly greater scrutiny on the global stage.

4.4.1.2 Kingdom's National Drilling Champion with Best-in-Class Operational Capabilities and Assets in a Market which Has Significant Barriers to Entry

The Group is the market leader for drilling services in the Kingdom, with an estimated 17.0 per cent. market share of the total rigs available in the Kingdom. Since its inception, the Group has drilled thousands of oil and gas wells, with around 340 wells drilled in 2021G alone and around 275 wells drilled per annum on average over the past three years. The Group supports the oil and gas industry with innovative technological solutions in response to challenging drilling programmes and harsh climatic conditions. The Group has an extensive track record of operational excellence, long-standing relationships with well-regarded customers and a deep understanding of market dynamics. Its onshore fleet of 38 rigs constitutes the 2nd largest in the Kingdom with an estimated 19.0 per cent. market share and high capabilities enable it to handle complicated horizontal drilling operations. More than 55.0 per cent. of its onshore rigs are less than 10 years old and more than 75.0 per cent. feature high-quality specification with 2,000HP or more. Its offshore fleet of seven rigs is also the 3rd largest in the Kingdom with an estimated 12.0 per cent. market share and is comprised of heavy-duty jack-ups outfitted with high specification equipment, which are capable of drilling in water depth up to 375 feet (115 metres). The Group's offshore fleet includes an MPSV for well intervention and testing services. In addition to its core business, its fully-owned subsidiary, Ofsat Arabia LLC, handles and coordinates complex rig moves and equipment transportation to remote access locations. With cohesive and integrated support from the Subsidiary, the Group offers seamless services to its customers, encompassing rig moves, rig operations and drilling, in addition to providing comprehensive support services.

Furthermore, the Group has built extensive know-how on the various legal requirements and permissions required for operating in the region, and as a result of its continuous engagement with local authorities, it is able to more easily adapt to changes and developments in local rules and regulations and to meet customer demands. The Group is a well-established player in a market where many customers, including Saudi Aramco, have a comprehensive approach in qualifying new players that requires standards amongst the highest in the world. Achieving pre-qualification can be a multi-year process and requires, among other factors, robust financial performance, appropriate assets which are scrutinised by physical audits and verified, high performance in HSE, which combine to create significant barriers to entry for competitors. The Group also benefits from a localised and highly skilled workforce with around 71.7 per cent. Saudization (at the Group level). The Group has made significant investments to train its growing local workforce. During the COVID-19 outbreak, the Group was able to maintain resilient operations supported by its local employee base which was not impacted by logistics disruption caused by the pandemic.

4.4.1.3 Outstanding Track Record of Operational Excellence with Strong Positioning in Saudi Aramco’s Rig Efficiency Index (REI), Robust Health and Safety Policies and Commitment to Sustainable Practices

According to Saudi Aramco’s REI Performance Report as of 31 December 2021G, the Group had a 36-month average score of 92.0 per cent., split between 101.0 per cent. (i.e., “**Superior Performance**”) for its offshore fleet and 91.0 per cent. (i.e., “**High Performance**”) for its onshore fleet. The level of REI score dictates a drilling contractor’s eligibility to participate in Saudi Aramco’s tenders, as well as the scope to negotiate contract extensions and/or renewals. A high REI score is key to all drilling contractors (including the Group) maintaining contracts and backlog with Saudi Aramco. The Group has maintained a consistently high REI score above 90.0 per cent., and has therefore been able to benefit from longer term contract extensions (compared with REI benchmark published by Saudi Aramco) and renewals with Saudi Aramco. Its superior operational performance has continuously supported its ability to consistently renew existing contracts, generally at a premium day rate compared to the competition and/or secure new contracts for extended periods of time. As of 31 December 2021G, its backlog was SAR 2.4 billion which represents approximately 1.1 multiple of full year 2021G revenue, out of which SAR 1.6 billion was secured directly with Saudi Aramco. The value of the backlog increased to SAR 8.2 billion Saudi riyals as of 31 July 2022G, which represents 3.8 multiple of full year 2021G revenue, including SAR 5.5 billion directly from Saudi Aramco.

From health and safety perspectives, the Group exhibits one of the lowest non-productive time in the industry at less than one per cent. in 2020G and 2021G with zero business interruption, delivering real tangible value to its customers. The Group ended 2021G with a recorded a non-productive time of 0.74 per cent., which represents the lowest non-productive time achieved by the Group in the last seven years. Its safety record is among the highest in the industry, with the Group’s total recordable incident frequency rate at an all-time low at 0.22, and well below the Group’s upper limit target of 0.95. The Group also recorded its all-time low combined lost time incident frequency rate at 0.14 in 2021G. In comparison with the industry average, as reported by the International Association of Drilling Contractors, the Group’s 2020G results were 0.75 and 0.41, respectively, compared with industry average of 2.28 and 1.57, respectively.

The Group benefits from compliance with In–Kingdom Total Value Add (IKTVA) Program and has won an IKTVA Excellence Award for five years in a row (“**Best in Employee Recognition**” in 2016G, “**Best in Training & Development**” in 2017G, “**Best in Saudization**” in 2018G, “**Highest Overall IKTVA Performance**” in 2019G and “**Best Saudization Services**” IKTVA in 2021G, with no award being given in 2020G due to the suspension of the programme as a result of the COVID-19 pandemic). IKTVA is a programme established by Saudi Aramco in 2015G to baseline, measure and support increased levels of localisation in the Kingdom. Participation in IKTVA is a component used by Saudi Aramco in evaluating supplier proposals. In 2021G, the Group expects to achieve an IKTVA score in the range of 70.0 per cent. in line with the Group’s target of 70 per cent.

Furthermore, the Group is committed to participating in and contributing to the Kingdom’s environmental targets. The Group is one of the first drilling contractors in the Kingdom to have launched a programme to reduce its carbon footprint via a number of short term and long-term initiatives. Short term initiatives include carbon footprint awareness campaigns, efficient engine utilisation and automation, efficient illumination (migration to LEDs, auto shut-off lights etc), customisation of vehicle usage (train and carpooling) and tree plantation campaigns with more than 5,000 trees planted in 2020G and 2021G and an additional 1,000 trees planned for 2022G. Long term initiatives include the installation of automated power management systems, electronic emissions monitoring systems, solar power generation at fixed locations, switching to hybrid vehicles and using gas combustion engines. The Group has also launched a “**Waste Recycling Program**” for all waste generated at its rigs in 2022G (e.g., plastic and aluminium waste at all rigs sites will be recycled). The Group has reported no serious hazardous waste spills over the last five years. The Group has also initiated a “**Water Conservation Program**”, incorporated regular water testing, conducted a pilot study and assessed water conservation potential to ensure effective water management.

The Group is also committed to enhancing its social impact through numerous initiatives, including, for example, social campaigns for health and safety awareness for its employees, their family members and the public, which, for example included a school HSE awareness session in March 2022G at a Girls School in Hofuf. The Group has tripled the overall number of female employees in its workforce between 2017G and 2021G and is committed to supporting women employment in the workplace. The Group is also promoting local sourcing by giving priority to local suppliers thus contributing to the growth of the local economy.

4.4.1.4 Solid Financial Profile with Strong Track Record of Resilient Profitability Margins and Solid Balance Sheet

Over the past three years, the Group has achieved attractive EBITDA margins of more than 40.0 per cent. on average, overcoming the adverse macroeconomic conditions, the oil price shock in 2020G and the COVID-19 pandemic during this period. Its business model is based on a lean cost structure characterised by a highly skilled work force, with an in-house maintenance and technical team and a lean organisational structure. The Group has implemented numerous different cost reduction initiatives in order to optimise its operating cost structure. Some recent initiatives include: (i) adjusting some incentive schemes to reflect prevailing market conditions (such as cost of living allowance and attendance bonuses); (ii) re-negotiating existing vendors' contracts; (iii) finding alternate sourcing of equipment spare parts at more competitive prices; (iv) obtaining VAT exemptions on certain services; and (v) improving utilisation of internal assets. The outcome of this cost reduction campaign resulted in structural savings in excess of SAR 100.0 million. In addition, in 2021G, the Group launched a new cost reduction and cash preservation initiatives across some 40 identified actions points, resulting in over SAR 80.0 million savings. The Group's focus on cost optimisation has supported steady profitability that has translated into increasing cash from operations. Furthermore, the Group has a disciplined CAPEX growth and only acquires new rigs once there are secured contract awards and after ensuring that the project financials meet the required internal return thresholds. All of these factors have resulted in the Group maintaining a strong balance sheet with healthy leverage (Net Debt / EBITDA) levels of 1.1x as of 31 December 2021G.

4.4.1.5 Disciplined Growth Strategy to Increase Cashflows and Deliver Consistent Dividends Resulting in Attractive Shareholder Returns

The Group's plan is to continue solidifying its position as a national drilling champion amongst its drilling peers, specifically amongst the growing Saudi Arabian drilling market. Historically, the Group has been able to add rigs in a relatively short time period (for example, it added 16 rigs within one year in 2018G). Over the next five years, a ramp up in drilling activity is expected due to Saudi Aramco publicly stated goal to increase production as well as the development of Jafurah unconventional gas field. Additionally, the Group believes incremental drilling activity for carbon capture storage wells is expected in the Kingdom. The Group has the right technology and capabilities to capture this new growth avenue related to drilling injection wells (used to store liquids), deep and shallow observation (used to monitor water and liquid status) and pressure relief wells (generally used for the purpose of removing and reducing pressure in a confined aquifer under excavations).

As part of its growth strategy, the Group is also conducting a market study of opportunistic geographies in the GCC Region for expansion. In 2021G, the Group submitted tender proposals in Bahrain and Kuwait after completing pre-qualification requirements. These opportunistic markets provide additional growth options to increase free cash flows, and to increase cash flows to shareholders in the form of dividends.

4.4.1.6 Highly Experienced Management Team Backed By its Shareholders that Bring International Expertise and Ensure Regional Interest Alignment

The Group's senior management team is highly experienced and has in-depth industry knowledge and a deep understanding of the regional market dynamics. Key senior executives have decades of combined experience, with top tier high calibre oil services companies like the Schlumberger Group, Subsea 7 or Saxon Group. Furthermore, as a joint venture between TAQA and SPS, the Group benefits from TAQA's network, capabilities and market depth in the upstream industry and from the Schlumberger Group's operational know-how, innovation and cutting-edge technological solutions in the oilfield services industry. The Group is committed to expanding the Kingdom's industrial base and local manufacturing capabilities in-line with the objectives of the Public Investment Fund, a key shareholder in TAQA.

4.4.2 Strategy

The following are the four pillars of the Company's competitive strategy:

4.4.2.1 To Grow its Market Share Locally and Regionally

The Group strives to maintain growth of its market share in the Kingdom and actively participates in competitions and tenders. The Group's biggest customer, Saudi Aramco, has recently announced its plan to increase its oil production to 13.0 million barrels of oil equivalent per day by 2027G. As disclosed in Saudi Aramco's 2021G Annual Report, Saudi Aramco is also currently undertaking a number of key upstream projects (including the Ain Dar, Farzan, Marjan, Berri, Hawiyah Unayzah reservoirs) that are expected to add additional production capacity. Saudi Aramco also commenced development of the vast Jafurah unconventional gas field, which is considered the largest non-associated gas field in the Kingdom and hosts the largest liquids-rich shale gas development in the Middle East with an estimated 200 trillion standard cubic feet of gas in place. The project aims to meet rising demand for high-value petrochemicals feedstock, complement Saudi Aramco's focus on hydrogen, support expansion of its integrated gas portfolio, and is expected to contribute to greenhouse gas (GHG) avoidance in the domestic energy sector. Saudi Aramco seeks to further expand its oil and gas reserves through new field discoveries, new reservoir additions in existing fields, and delineation and reassessment of existing reservoirs and fields. Saudi Aramco continued its focus on oil and gas reserves replacement which led to the discovery of five gas fields comprising three conventional and two unconventional discoveries in 2021G. The Group therefore expects the demand for drilling services within the Kingdom to continue to grow over the next five years and would seek to actively participate in such tenders in order to maintain or further grow its current market share within the Kingdom.

The Group is actively exploring other market opportunities, and has submitted tender proposals for projects in Bahrain and Kuwait. The Group is also open to potential merger and acquisition opportunities that are consistent with its financial disciplines.

4.4.2.2 To Provide World-class Workforce with Overall High Saudization Levels

As an integral part of a national objective of the Kingdom, the Group is committed to supporting its employees and local communities (particularly within the Kingdom) through its hiring and development practices and policies. The Group works to hire, train and retain a highly skilled work force based on local talent, which is reflected in its Saudization rate of 76.2 per cent. on the Company's level and 71.7 per cent. on the Group's level.

4.4.2.3 To Promote a Culture of Outstanding Quality of Services and to be Recognised as an Industry Leader in Quality of Services

Through its drilling operations, the Group follows one key goal, which is to deliver consistent best-in-class services to its customers, sustainably. The Group works continuously to improve operational performance while drilling and moving the rigs. This is done through a continuous update of the competency of its employees, the highest level of asset integrity, and the implementation of industry-leading management systems.

In 2018G, the Group established an Operations Optimisation Department to consider and utilise various technologies to provide prompt responses to changing business conditions. Such measures include the Operations Optimisation Insight, a semi-automated electronic system of detecting and analysing rig activity based on historical data. The objective of Operations Optimisation Insight is to identify opportunities to reduce "**Invisible Lost Time**" and non-productive time, allowing the Operations Optimisation Department to then make recommendations to respond promptly to changing conditions and to satisfy and exceed customer demands.

As a result of the Group's initiatives, the Group maintained a high 36-month average REI score of 92.0 per cent. as of 31 December 2021G, with 20 of the Group's rigs ranked "**Superior Performance**" and six of the Group's rigs ranked "**High Performance**".

In 2022G, the Group established an Operations Excellence function, including a Continuous Improvement Department focusing on identifying areas of improvement and implementing solutions, a Technology Department focusing on identifying and implementing applicable technologies to improve further the Groups' performance, and a Project Management Office, focusing on implementing a project management discipline throughout the Group.

The Group also places great importance and focus on quality, health, safety and environment ("**QHSE**") management and compliance with all applicable health and safety guidelines and regulations, as well as operating a sustainable business. During the year 2021G, the Group has consistently met its QHSE target indicators and is currently performing significantly better than the industry average published by International Association of Drilling Contractors. The Group often adopts safety standards that exceed industry standards in order to ensure that it maintains its current safety record, and all employees of the Group are also required to complete "minimum safety training" upon joining and continued job-related safety training, as is further described in Section 4.5.6 (*Health and Safety*).

4.4.2.4 To Optimise Cost within the Group's Operations

As a performance improvement and standardisation initiative, the Operations Excellence Department implements efficiency training and measures such as the Operations Optimisation Insight, to streamline operational efforts, reduce costs and support operational excellence. Such cost reduction initiatives mean the Group is able to maintain a lean and adjustable cost structure, allowing it to better withstand and continue operations through any major fluctuations in the business cycle.

4.5 Overview of the Group's Business

The Company is the largest drilling contractors in the Kingdom with activities across the hydrocarbon Exploration & Production ("**E&P**") value chain (see Section 3.2.1 (*E&P Value Chain*) for further details on the E&P value chain).

4.5.1 Overview of Services Offering

Drilling activities consist of drilling holes in the ground (so called "wells"). These wells reach a depth of up to several kilometres and are subject to changing direction during the drilling process. The Group supplies and operates the drilling rigs, both onshore (land rigs) and offshore (jack-up rigs). The Group had a total of 37 active onshore and offshore rigs out of a total fleet consisting of 45 rigs as of 31 December 2021G, resulting in a utilisation rate of 82.2 per cent. (increasing to 91.1 per cent. as of the date of this Prospectus due to an additional four rigs resuming or starting operations). Utilisation rate at a given time is defined as the ratio of (i) rigs that are operational under a contract at such time to (ii) total rigs in the fleet (including suspended and stacked rigs but excluding rigs held for sale). Drilling activity is conducted in accordance with the instructions of the customer, who also coordinates activities with other oil-service contractors specialised in analysing and monitoring the perforated layers of soil and in providing services and materials for the construction and maintenance of wells. As estimated by the Market Consultant, the Group was the largest drilling rig contractor in the Kingdom in terms of the available rig fleet size with 45 rigs as of the date of this Prospectus (comprising 38 onshore and seven offshore rigs (including one MPSV and excluding one offshore rig held for sale) in the Kingdom and the Saudi Arabia-Kuwait Neutral Zone (the "**Neutral Zone**")). The Group increased its fleet size in the last five years from 35 as of 31 December 2017G to 45 as of 31 December 2021G. In particular, the Group was able to mobilise, deploy and commission 16 rigs (both newly purchased rigs and upgraded rigs) within one year of acquisition in 2018G. See Section 4.5.5.2(c) (i) (*Contract Terms*) for a discussion of the status of the Group's rigs since 2016G.

In addition to drilling services, the Group offers additional complementing drilling services, which include, for example, rig moving, mobilisation, manpower outsourcing and lifting, hauling, and transporting equipment rentals. The Group is involved in all types of well services as described in Section 3.2.1.2 (*Wells' lifecycle*).

4.5.1.1 Offshore Drilling

Offshore drilling differs from onshore drilling primarily because of the technical specification and therefore cost of the drilling rigs and complexity of offshore conditions. Offshore drilling is generally a more complex and costly process, involving drilling far from shore and sometimes in deep water, and often operating in complex geological and climatic conditions. Offshore drilling activities require the use of offshore jack-up rigs which are each valued from SAR 375.0 to 937.5 million, depending on rig age, specifications, design, and other factors.

In the offshore drilling segment, the Group mainly operates offshore of the Eastern coast of the Kingdom and the Neutral Zone. The Group is well positioned in the most complex segments of offshore sites, leveraging on the advanced technical features of its drilling rigs.

As of 31 December 2021G, the Group owned seven offshore rigs (six active rigs, one contracted but has yet to commence operation, and excluding two rigs held for sale) resulting in a utilisation rate of 85.7 per cent. (increasing to 100.0 per cent. as of the date of this Prospectus due to the commencement of operations of an additional rig), including heavy-duty jack-up rigs outfitted with high specification equipment and capable of drilling in water depth up to 375 feet (115 metres). These are self-elevating rigs where the legs rest on the seabed. The Group also owns a modified jack-up rig used as an MPSV for well intervention and well testing services, which is included in the total offshore rig count.

Properly maintained, offshore and onshore rigs have a useful life exceeding 30 years. As of 31 December 2021G, the age of the Group's offshore fleet ranged from six to over 35 years, with an average of 20.5 years, although the age of the rig is not necessarily reflective of its efficiency or performance. As an example, AD17 is one of the Group's oldest rigs (having operated for almost 40 years), but, as of 31 December 2021G, had an average REI score of 98.0 per cent. for the previous 36 months, which is in the high end of the "Superior Performance" category.

As of the date of this Prospectus, the Company entered into two bareboat charter agreements (a type of rig lease agreement) for two offshore rigs. The rigs are expected to be mobilized in the fourth quarter of 2022G. Moreover, the Company entered into a purchase agreement to purchase two additional jack-up rigs. The acquisition is subject to several conditions precedent, with closing expected to be finalized in the second half of 2022G (for more information about the two bareboat charter agreements and the two agreements for the purchase of two jack-up rigs, see Section 12.5.1 (*Agreements with Key Suppliers*).

The following table sets out a summary of the Group's offshore rigs as of the date of this Prospectus:

Table (4.3): Summary of the Group's Offshore Rigs as of the Date of the Prospectus

Rig Name	Rig Specification (HP - horsepower)	Date of Construction / Major Upgrade	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non Productive Time (twelve month period ended 31 December 2021G)
AD08	1,500	1982G/2008G	-	Retired (held for sale)	-	N/A	-
AD17	2,000	1981G	Saudi Aramco	Active	27 Sha'ban 1440H (corresponding to 2 May 2019G) / 22 Shawwal 1445H (corresponding to 1 May 2024G)	98.0%	0.52%
AD20[1]	MPSV	1998G	KJO	Active	15 Rabi' al-Thani 1443H (corresponding to 20 November 2021G) / 5 Jumada al-Ula 1445H (corresponding to 19 November 2023G)	N/A (not a Saudi Aramco contract)	-
AD30	3,000	2006G/2019G	KJO	Active	19 Jumada al-Ula 1443H (corresponding to 23 December 2021G) and expiring on 13 Rajab 1448H (corresponding 22 December 2026G)	N/A (not a Saudi Aramco contract)	-
AD40	MPSV	1998G	-	Retired (sold in January 2022G)	-	-	-
AD50	3,000	2013G	Saudi Aramco	Active	14 Safar 1442H (corresponding to 1 October 2020G) / 17 Thul-Qi'dah 1446H (corresponding to 15 May 2025G)	97.80%	1.34%
AD60	3,000	2013G	Saudi Aramco	Active	6 Jumada al-Akhirah 1442H (corresponding to 19 January 2021G) / 29 Ramadan 1444H (corresponding to 20 April 2023G)	103.50%	0.12%

Rig Name	Rig Specification (HP - horsepower)	Date of Construction / Major Upgrade	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non Productive Time (twelve month period ended 31 December 2021G)
AD70	3,000	2015G	Saudi Aramco	Active	9 Sha'ban 1440H (corresponding to 14 April 2019G) / 6 Muharram 1447H (corresponding to 1 July 2025G)	105.6%	0.05%
AD80	2,000	1982G/2019G	KJO	Active	12 Thul-Qi'dah 1440H (corresponding to 15 July 2019G) / 8 Muharram 1440H (corresponding to 14 July 2024G)	N/A (not a Saudi Aramco contract)	-
AD110	3000	2022G	Saudi Aramco	Under preparation and delivery	17 Sha'ban 1443H (corresponding to 20 March 2022G) / 21 Jumada al-Ula 1447H (corresponding to 12 November 2025G)	N/A (A contract has not been concluded as on the date of this Prospectus)	-
AD120	3000	2022G	Saudi Aramco	Under preparation and delivery	17 Sha'ban 1443H (corresponding to 20 March 2022G) / 21 Jumada al-Ula 1447H (corresponding to 12 November 2025G)	N/A (A contract has not been concluded as on the date of this Prospectus)	-
AD130[2]	3000	2022G	N/A (A contract has not been concluded as on the date of this Prospectus)	Under preparation and purchase	-	N/A (A contract has not been concluded as on the date of this Prospectus)	-
AD140[3]	3000	2022G	N/A (A contract has not been concluded as on the date of this Prospectus)	Under preparation and purchase	-	N/A (A contract has not been concluded as on the date of this Prospectus)	-

Source: The Company.

(1) Modified jack-up rig used as MPSV.

(2) The Company entered into a purchase agreement with Cantarell I, LDI on 24 Shawwal 1443H (corresponding to 25 May 2022G) for purchase of a Cantarell I Jack-Up Drilling Unit, provided that the sale is completed after prerequisites are met or assigned.

(3) The Company entered into a purchase agreement with Cantarell I, LDI on 24 Shawwal 1443H (corresponding to 25 May 2022G) for purchase of a Cantarell I Jack-Up Drilling Unit, provided that the sale is completed after prerequisites are met or assigned.

For the financial years ended 31 December 2019G, 2020G and 2021G, 24.2 per cent., 25.8 per cent. and 25.1 per cent., respectively, of the Group's revenues were derived from the offshore drilling revenue stream. For further details regarding offshore rigs, see Section 3.2.1.3 (b) (*Offshore Rigs*).

4.5.1.2 Onshore Drilling

Onshore drilling is a mechanical process where a well is drilled on land through underlying bedrock utilising a stationary onshore rig to explore for and extract oil or natural gas.

As of 31 December 2021G, the Group has 31 onshore rigs in operation, with a utilisation rate of 81.6 per cent. of the seven remaining rigs that were not in operation, three had their contract temporarily suspended (due to the COVID-19 pandemic). In addition, four additional rigs were not contracted. In July 2021G, the Group received notice from Saudi Aramco to resume work for five of the seven temporarily suspended rigs. As of the date of this Prospectus, three onshore rigs have resumed drilling operations between January and June 2022G. The Group also received notice to resume operation for an onshore rig (the final rig subject to suspension), which the Company is reactivating and expects to resume the operation of by the end of September 2022G. As of the date of this Prospectus, the utilisation rate is 89.5 per cent., representing 34 active rigs out of a total available fleet of 38 rigs.

The Group's onshore fleet ranges from medium to ultra-heavy rigs capable of handling complicated drilling operations. As of 31 December 2021G, more than 55.0 per cent. of its onshore rigs are less than 10 years old and more than 75.0 per cent. of its onshore rigs feature high-quality specification with 2,000 horsepower or more. The following table sets out a summary of the Group's onshore rigs as of the date of this Prospectus:

Table (4.4): Summary of the Group's Onshore Rigs as of the Date of this Prospectus

Rig name	Rig specification (HP - horsepower)	Date of construction	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non-Productive Time (twelve month period ended 31 December 2021G)
AD12	1,500	1981G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 28 Rabi' al-Thani 1446H (corresponding to 31 October 2024G)	97.80%	0.75%
AD14	1,500	1973G	Saudi Aramco	Active	27 Ramadan 1440H (corresponding to 1 July 2019G) / 6 Thul-Hijjah 1446H (corresponding to 2 June 2025G)	97.50%	0.28%
AD15	2,000	1981G	Saudi Aramco	Active	16 Thul-Hijjah 1439H (corresponding to 27 August 2018G) / 15 Rabi' al-Thani 1444H (corresponding to 9 November 2022G)	96.40%	0.41%
AD16	2,000	1981G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 15 Sha'ban 1444H (corresponding to 7 March 2023G)	N/A (insufficient time to calculate the REI score)	-
AD21	3,000	1981G	Saudi Aramco	Active	22 Ramadan 1441H (corresponding to 15 May 2020G) / 24 Shawwal 1444H (corresponding to 14 May 2023G)	102.0%	0.21%
AD23	3,000	2005G	Saudi Aramco	Active	27 Ramadan 1440H (corresponding to 1 June 2019G) / 4 Thul-Hijjah 1446H (corresponding to 31 May 2025G)	90.10%	0.54%
AD28	1,500	1981G	N/A	Cold stacked	-	-	-

Rig name	Rig specification (HP - horsepower)	Date of construction	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non-Productive Time (twelve month period ended 31 December 2021G)
AD29	1,500	1981G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 8 Jumada al-Ula 1447H (corresponding to 30 October 2025G)	82.50%	0.48%
AD31	2,000	2005G	Saudi Aramco	Active	21 Ramadan 1441H (corresponding to 14 May 2020G) / 14 Shawwal 1444H (corresponding to 14 May 2023G)	96.80%	0.15%
AD32	2,000	2005G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 10 Shawwal 1444H (corresponding to 30 April 2023G)	93.10%	6.97%[1]
AD34	2,000	1977G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 24 Sha'ban 1447H (corresponding to 12 February 2026G)	102.4%	0.54%
AD35	2,000	1977G	Saudi Aramco	Active	23 Safar 1440H (corresponding to 1 November 2018G) / 5 Sha'ban 1447H (corresponding to 24 January 2026G)	102.1%	-
AD36	2,000	2005G	Saudi Aramco	Active	30 Ramadan 1443H (corresponding to 1 May 2022G) / 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G)	102.5%	0.04%
AD41	2,000	2013G	Schlumberger Middle East SA	Active	30 Jumada al-Ula 1439H (corresponding to 16 February 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	97.3%	0.44%
AD42	2,000	2013G	Schlumberger Middle East SA	Active	23 Rabi' al-Awwal 1439H (corresponding to 11 December 2017G) / 19 Safar 1439H (corresponding to 15 September 2022G)	100.1%	0.35%
AD43	2,000	2014G	Schlumberger Middle East SA	Active	18 Rabi' al-Thani 1439H (corresponding to 5 January 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	101.5%	0.55%
AD44	1,200	2013G	N/A	Cold stacked	-	-	-

Rig name	Rig specification (HP - horsepower)	Date of construction	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non-Productive Time (twelve month period ended 31 December 2021G)
AD45 Transferred from AD28	1,200	2013G	Saudi Aramco	Active	24 Jumada al-Ula 1440H (corresponding to 1 March 2019G) / 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G)	102.4%	0.12%
AD46	2,000	2014G	Schlumberger Middle East SA	Active	22 Jumada al-Ula 1438H (corresponding to 19 December 2017G) / 19 Safar 1444H (corresponding to 15 September 2022G)	99.2%	0.03%
AD47	2,000	2014G	Saudi Aramco	Reactivation	12 Jumada al-Akhirah 1441H (corresponding to 6 February 2020G) / 14 Rajab 1444H (corresponding to 5 February 2023G)	N/A	-
AD48	2,000	2015G	Saudi Aramco	Active	7 Sha'ban 1441H (corresponding to 31 March 2020G) / 8 Ramadan 1441H (corresponding to 30 March 2023G)	66.5%	0.85%
AD49	2,000	2015G	Saudi Aramco	Active	17 Jumada al-Ula 1442H (corresponding to 1 January 2021G) / 24 Rabi' al-Thani 1445H (corresponding to 8 November 2023G)	N/A (insufficient time to calculate the REI score)	-
AD51	2,000	2015G	Saudi Aramco	Active	19 Rabi' al-Awwal 1442H (corresponding to 5 November 2020G) / 10 Rabi' al-Thani 1444H (corresponding to 4 November 2022G)	92.80%	0.57%
AD52	2,000	2015G	Saudi Aramco	Active	4 Rabi' al-Thani 1442H (corresponding to 19 November 2020G) / 6 Jumada al-Ula 1444H (corresponding to 30 November 2022G)	90.20%	0.40%
AD53	2,000	2018G	Baker Hughes Saudi Arabia	Active(2)	14 Ramadan 1443H (corresponding to 15 April 2022G) for a period of three years from the date of commencement of operations.	103.7%	0.12%
AD54	2,000	2018G	Baker Hughes Saudi Arabia	Active	14 Ramadan 1443H (corresponding to 15 April 2022G) for a period of three years from the date of commencement of operations.	-	-

Rig name	Rig specification (HP - horsepower)	Date of construction	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non-Productive Time (twelve month period ended 31 December 2021G)
AD55	2,000	2018G	Schlumberger Middle East SA	Active	20 Thul-Hijjah 1439H (corresponding to 31 August 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	68.7%	6.64% Including 460 hours of Rig Move QHSE Event
AD56	2,000	2018G	Schlumberger Middle East SA	Active	17 Muharram 1440H (corresponding to 27 September 2018G) / 18 Safar 1444H (corresponding to 15 September 2022G)	79.3%	2.22%
AD57	2,000	2018G	Dowell Schlumberger Saudi Arabia Co. Ltd	Active	16 Safar 1440H (corresponding to 25 October 2018G) / 5 Shawwal 1444H (corresponding to 25 April 2023G)	94.6%	0.64%
AD58	2,000	2018G	Dowell Schlumberger Saudi Arabia Co. Ltd	Active	1 Rabi' al-Awwal 1440H (corresponding to 9 November 2018G) / 5 Shawwal 1444H (corresponding to 25 April 2023G)	73.4%	0.85%
AD59	2,000	2018G	Schlumberger Middle East SA	Active	2 Rabi' al-Awwal 1440H (corresponding to 10 November 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	80.7%	0.94%
AD62	1,500	2008G	Dowell Schlumberger Saudi Arabia Co. Ltd	Active	22 Ramadan 1439H (corresponding to 6 June 2018G) / 5 Shawwal 1444H (corresponding to 25 April 2023G)	67.8%	0.05%
AD63	1,500	2007G	Dowell Schlumberger Saudi Arabia Co. Ltd	Warm stacked	-	N/A	1.11%
AD64	2,000	2018G	Schlumberger Middle East SA	Active	29 Ramadan 1439H (corresponding to 13 June 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	90.9%	2.18%
AD65	2,000	2018G	Schlumberger Middle East SA	Active	19 Shawwal 1439H (corresponding to 3 July 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	95.7%	0.20%
AD66	2,000	2017G	Schlumberger Middle East SA	Active	25 Sha'ban 1439H (corresponding to 11 May 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	81.7%	0.62%

Rig name	Rig specification (HP - horse-power)	Date of construction	Contracted by	Status	Year Entered Contract / Estimated End of Contract	Saudi Aramco REI score as of 31 December 2021G (based on 36-month average)	Non-Productive Time (twelve month period ended 31 December 2021G)
AD67	2,000	2017G	Schlumberger Middle East SA	Active	12 Shawwal 1439H (corresponding to 26 June 2018G) / 19 Safar 1444H (corresponding to 15 September 2022G)	95.8%	0.01%
AD68	1,500	2008G	Dowell Schlumberger Saudi Arabia Co. Ltd	Active	14 Muharram 1440H (corresponding to 24 September 2018G) / 5 Shawwal 1444H (corresponding to 25 April 2023G)	68.5%	2.04%

Source: The Company.

(1) The rate is only reflecting less than one month activity in December 2021G.

(2) As of the date of this Prospectus, AD53 drilling rig is operated for Schlumberger Middle East S.A under a contract for onshore drilling rig (contract No. SLB-ADC-201804 Rig AD53 and 54). The work related to the aforementioned contract shall be completed, with the drilling rig being operated for Baker Hughes Saudi Arabia for the purpose of a subcontract for onshore drilling rigs (Ghawar Field LSTK 2022).

For the financial years ended 31 December 2019G, 2020G and 2021G, 75.7 per cent., 74.0 per cent. and 74.7 per cent., respectively, of the Group's revenues were derived from the onshore drilling revenue stream. For further details regarding onshore rigs, see Section 3.2.1.3 (a) (*Onshore Rigs*).

4.5.1.3 Additional Services Complementing Drilling Services

The Group offers complementary additional services to drilling services. Such additional activities do not constitute separate services that are delivered to customers, but rather are necessary to fulfil the offshore and onshore drilling services contracts mentioned above and accordingly, are included in the revenue from onshore and offshore drilling services. Such additional services are typically carried out by the Group in accordance with the customer's specifications and consist of the following services (see Section 6.4.3.1 (*Revenue*) for further details regarding the Group's revenue streams; other non-reportable segment information includes services provided by the Subsidiary mainly related to the logistics services.):

A- Rig Move Services

Rig move services consist of the relocation of onshore rigs on the customers' instructions, and are typically charged as a fixed-sum payment each time the rig is moved over the life of the contract. These services include managing and coordinating the transfer of drilling rigs and equipment, which are provided by the Subsidiary (or, depending on its availability, other third parties engaged by the Group). A fixed service charge is usually charged for each rig move over the life of the contract. Drilling rigs are moved between different drilling sites within the Kingdom. Rig moves are the second biggest contributor to the Group's revenues. For the financial years ended 31 December 2019G, 2020G and 2021G, 15.5 per cent., 17.8 per cent. and 19.3 per cent., respectively, of the Group's total revenues were derived from rig move revenue.

Rig move performance is a key area of focus for the Company, as the Company's customers generally pay for services provided on a lump sum basis. As a result, the Company has an additional incentive to provide rig move services in a fast and timely manner. Following the acquisition of the Subsidiary, and as part of Company performance improvement strategy, the Company has successfully and continuously improved its average rig move time over the last three years by 31.0 per cent., as average rig move days in the financial year ended 31 December 2019G amounted to 10.45 days, decreasing to approximately 8.86 days in the financial year ended 31 December 2020G, and 7.96 days in the financial year ended 31 December 2021G. Whereas, the average rig move days stands at 7.22 days as of the date of this Prospectus. The Company has also recently engaged with a reputable consulting partner, namely Partners in Performance, to further digitalize and improve its rig move processes.

B- Mobilisation

Mobilisation revenue represents fees for the initial mobilisation of onshore and offshore rigs. Such mobilisation is typically carried out by the Group to set up the rigs and fees are charged to the customer at the commencement of the original term of the contract. For the financial years ended 31 December 2019G, 2020G and 2021G, 2.5 per cent., 2.0 per cent. and one per cent., respectively, of the Group's total revenues were derived from mobilisation revenue.

C- Catering, Manpower and Other Services

Manpower sub-contracting and other services revenue represents income received from the Group sub-contracting manpower to customers for their onshore and offshore rig operations based on pre-agreed unit rates. Such costs are also recorded over the life of a contract, with customers signing relevant service entry sheets for each month as an acknowledgment of receipt of the personnel support for which they are then billed. For the financial years ended 31 December 2019G, 2020G and 2021G, 2.3 per cent., 2.1 per cent. and 4.0 per cent., respectively, of the Group's total revenues were derived from manpower sub-contracting and other services revenue.

4.5.2 Operational Efficiencies

The Group utilises a variety of measures to assess the efficiency of its drilling operations, striving to maintain a high standard of operational efficiency. The below sets out various KPIs or assessment factors the Group takes into account when evaluating operational efficiency.

4.5.2.1 Rig Efficiency Index

REI is one of Saudi Aramco's internal systems used to measure individual rig performance across all of its contracted and sub-contracted drilling contractors, and is used by Saudi Aramco to determine the likelihood of drilling contractors having their contracts renewed, extended or terminated.

REI is calculated based on four different parameters: HSE, non-productive time, drilling flat time and In-Kingdom Total Value Add ("**IKTVA**") and covers the full spectrum of how the performance of any drilling contractor operating in the Kingdom would typically be measured. Drilling contractors scoring overall high REI marks will be treated preferentially by Saudi Aramco regarding contract award and extensions. As Saudi Aramco is the Group's largest customer, and since REI is a KPI recognised within the industry as an indicator of a contractor's operational efficiency, the Group has also adopted REI as its internal measure of performance.

A "REI Performance Report" is published by Saudi Aramco on a monthly basis, providing individual REI scoring based on an average for the last 36 months. Based on the individual REI scoring, the REI Performance Report sets out individual rankings and categorisations of the rigs per the following performance levels: "Superior Performance", "High Performance", "Consistent Performance", "Average Performance" and "Below Average Performance". Furthermore, the level of REI score dictates a drilling contractor's eligibility to participate in Saudi Aramco tenders, as well as scope to negotiate contract extensions and/or renewal negotiations.

In light of the above, a high REI score is key to all contractors (including the Group) maintaining contracts and backlog with Saudi Aramco. As outlined in Section 4.5.12.2 (*Operational Achievements*), the Group has maintained a consistently high REI score, and has been able to benefit from longer term contract extensions and renewals with Saudi Aramco.

According to Saudi Aramco's REI Performance Report as of 31 December 2021G, the Group had a 36-month average score of 91.9 per cent., split between 101.2 per cent. (i.e., "Superior Performance") for its offshore fleet and 90.8 per cent. (i.e., "High Performance") for its onshore fleet.

4.5.2.2 In-Kingdom Total Value Add

IKTVA is Saudi Aramco's programme to drive gross added value creation in the Kingdom, aiming to provide quality jobs for the Saudi population, innovation and diversification of industry in the Kingdom, and increase its global competitiveness. The IKTVA initiative is aligned with the Kingdom's Saudization goals, and is also a factor considered for REI scores. See Section 4.5.12 (*Awards and Operational Achievements*) for further information regarding the achieved IKTVA by the Group.

4.5.2.3 Active Rig Months

The Group seeks to enhance the proportion of its active rig months, being the number of months in which its rigs are actively in operation, and not left idle, under repair or pending contract commencement. The active rig months is a key indicator of the Group's drilling efficiency, and an important factor considered for REI scores. The Group thus adopts various measures, including active fleet maintenance and various health and safety practices to ensure as little time as possible is lost in its drilling and rig move operations.

In the financial year ended 31 December 2021G, the Group had 412 active rig months (a monthly average of 34.3 active rig months), which was a decrease from the 465 active rig months (a monthly average of 38.7 active rig months) that the Group had in the financial year ended 31 December 2020G. The total available fleet is 45 rigs representing a maximum capacity of 540 active rig months. Actual average utilisation over the full course of 2021G and 2020G was 76.3 per cent. and 86.1 per cent., respectively. This average utilisation measure differs from utilisation rate in Section 6.3.2 (*Day Rates and Utilisation Rates*), which indicates utilisation rates as of the end of the corresponding periods.

4.5.3 Fleet Maintenance

The Group strives to maintain its assets to provide optimal operating performance while minimising out-of-service time and total capital expenditures. The fleet undergoes periodic preventive maintenance, upgrades and overhauls, inspections and certifications, as required by the Group's maintenance plans, any original equipment manufacturer recommendations or customer contractual requirements, and also to keep the rigs with valid regulatory certifications and optimising safety and operational capabilities. The nature, duration and frequency of these maintenance activities depend on the associated equipment (i.e., engines, draw work and well controls). Maintenance activities related to rig equipment that are indispensable to drilling operations are typically scheduled between customer contracts and/or rig moves so as to minimise rig downtime.

The Group has a maintenance team assigned to each rig that manages the ongoing maintenance of the rigs, in addition to the Assets Management Department based in the Group's other premises (see Section 4.7.11 (*Assets Management Department*). As of 31 December 2021G, the team comprised 186 members and occasionally relies on third party contractors to conduct some of the refurbishment and maintenance processes, particularly where significant steel and metal replacement work is required, which cannot be performed other than by a shipyard and for any certification process, which must be done fully or jointly through a third party, namely the certification body.

Any future acquisition or construction of rigs will only take place if supported by the associated contract award. Upgrades and life enhancement of the existing rigs is driven by the implementation of a technology package which, when integrated with the Group's drilling equipment, aims to improve the performance of the rigs. In 2020G, the Group completed a fleet study to consider industry trends in the next five to ten years in order to stay abreast of developments in technology and the industry evolution towards drilling automation and mechanisation.

In order to enhance the Group's fleet drilling efficiency and having regard to the evolution of the drilling industry towards automation, the Group has a defined replacement strategy on the processes and timing of adoption of new technologies available in the market for enhanced drilling efficiencies, cost saving effectiveness and HSE performance. This replacement strategy consists of the following:

- **rig automation:** it requires both the mechanisation and drilling automation system to work simultaneously to optimise the drilling process, with the aim of gradually phasing out manual human intervention. These automations relates to certain drilling rig equipment such as iron roughnecks, automated catwalks, power slips and automated pipe handlers;
- **offline stand building:** a technology that mechanises on-deck pipe handling with an opportunity to reduce rig time and minimise the number of flow hands required when making up and breaking out drill pipes; and
- **rig moving system:** this relates to dismantling the rig and the move to the next drilling location with the mast up, therefore saving time and cost.

4.5.4 Technology

The Group has formed an engineering group within the Group's Assets Management Department focusing on existing drilling products and technology and leveraging a strong network of providers to sustain and enhance its rig fleet. The engineering and asset management group includes 186 office based subject matter experts in structural engineering, marine engineering, rig power and controls, pressure control and the drilling equipment, in addition to the rig crew. The subject matter experts are responsible for identifying and implanting the breakthrough technologies that the Group believes will be tomorrow's standards (see Section 4.5.3 (*Fleet Maintenance*) for future details regarding the technology used by the Group to maintain rigs). This, together with strong rig management expertise and advanced well construction knowledge, allows the Group to customise its drilling fleet and deliver superior value to its customers on land, offshore and in conventional and performance contracts.

In addition, the Group has established a technology development group tasked with identifying, appraising, and implementing value-adding solutions available across all industries. This group focuses on:

- emission reduction technologies suitable for drilling rig applications;
- enhancing safety performance and operation integrity using image recognition and machine learning;
- improving well performance delivery using data analytics, micro KPIs and onsite execution; and
- reducing capital expenditure and operational expenditure through equipment health monitoring.

The Group's Assets Management Department actively utilises the latest technologies to reduce risks related to its operations, including through remote controlling and augmenting the visibility of crane operators through digital tools. The development of technologies which represent possible breakthroughs for the drilling industry are actively monitored, including the development of electric blow out preventers and robotic drilling systems. Multisource real-time data from sensors installed on both offshore and onshore rigs are utilised to enable informed decision making and to maintain operational excellence.

4.5.5 Customers

4.5.5.1 Description of Customers

The following three customers contributed almost all of the Group's revenue in the financial years ended 31 December 2019G, 2020G and 2021G. However, since KJO is a joint venture with Saudi Aramco and Schlumberger and Baker Hughes are contractors for Saudi Aramco, ultimately (and consistent with common industry practices in the Kingdom), all of the Group's revenue is generated directly or indirectly by Saudi Aramco.

A- Saudi Aramco

Saudi Aramco is the world's largest integrated oil and gas company. Based on its 2021G Annual Report, in the twelve months ended 31 December 2021G, Saudi Aramco's average hydrocarbon production was 12.3 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (including blended condensate). In the same period, its crude oil production accounted for approximately one in every eight barrels of crude oil produced globally. The Company's heritage dates back to 1933G as an upstream venture founded by predecessors of Chevron Corporation and ExxonMobil Corporation.

In the financial years ended 31 December 2019G, 2020G and 2021G, Saudi Aramco accounted for 65.2 per cent., 59.5 per cent. and 54.2 per cent., respectively, of the Group's revenue. Moreover, as of 31 December 2021G and 31 July 2022G, Saudi Aramco accounted for 64.1 per cent. and 66.8 per cent., respectively, of the Group's backlog and the Group had 22 and 26, respectively, of its rigs contracted with Saudi Aramco, of which one rig was under temporary suspension and is yet to resume drilling operations as of the date of this Prospectus.

B- Schlumberger

Schlumberger Middle East S.A., Saudi Arabian Branch, is a branch of Schlumberger Middle East S.A., a limited liability company incorporated in Panama. The branch is carrying out its operations in the Kingdom and is registered in Dammam under Commercial Registration number 2051002074, dated 19 Jumada al-Akhirah 1395H (corresponding to 29 June 1975G). It is engaged in providing wireline logging, perforating, directional drilling and well testing services principally to Saudi Aramco. The branch's principal place of business is located in Al Khobar, the Kingdom of Saudi Arabia.

Dowell Schlumberger Saudi Arabia Ltd. is a limited liability company registered in the Kingdom under Commercial Registration number 2050006140, dated 7 Sha'ban 1398H (corresponding to 13 July 1978G), and is licensed to engage in the provision of specialised services for oil industry, which include well cementing and stimulation, evaluation of well production, testing injection fluids, fishing of tools from wells, horizontal drilling, industrial cleaning with chemical and hydraulic methods, water well services and all other activities stated in SAGIA's licence No. (122131035814), dated 10 Rabi' al-Thani 1398H (corresponding to 19 March 1978G). Dowell Schlumberger Saudi Arabia Ltd. is owned 75.0 per cent. by Dowell Schlumberger Eastern Incorporation and 25.0 per cent. by Inkeri Incorporation, both companies being subsidiaries of the Schlumberger Group.

In the financial years ended 31 December 2019G, 2020G and 2021G, Schlumberger accounted for 29.7 per cent., 34.9 per cent. and 39.1 per cent., respectively, of the Group's revenue. Moreover, as of 31 December 2021G and 31 July 2022G, Schlumberger accounted for 4.7 per cent. and 22.9 per cent., respectively, of the Group's backlog and the Group had 16 and 15, respectively, of its rigs contracted with Schlumberger.

C- KJO

Al-Khafji Joint Operations is a joint venture between Kuwait Gulf Oil Company (KGOC) and Aramco Gulf Operations Company (AGOC) in the Kingdom. The objective of Al-Khafji Joint Operations is to conduct the offshore activities related to Exploration, Drilling and Production of Oil and Gas in the Neutral Zone, an area of 5,770 square kilometres (2,230 square miles) between the borders of the Kingdom and Kuwait.

In the financial years ended 31 December 2019G, 2020G and 2021G, KJO accounted for 4.9 per cent., 5.3 per cent. and 6.3 per cent., respectively, of the Group's revenue. Moreover, as of 31 December 2021G and 31 July 2022G, KJO accounted for 32.0 per cent. and 7.7 per cent., respectively, of the Group's backlog through three and three, respectively, of its rigs.

D- Baker Hughes

Baker Hughes Saudi Arabia is a limited liability company registered in the Kingdom under Commercial Registration number 2041005207, dated 1 Thul-Qi'dah 1399H (corresponding to 22 September 1979G), and is licensed to engage in the provision of drilling services for oil and gas and water, as well as providing seismic surveying and well maintenance services.

In the financial years ended 31 December 2019G, 2020G and 2021G, Baker Hughes did not account for any of the Group's revenue. Moreover, as of 31 July 2022G, Baker Hughes accounted for 2.6 per cent. of the Group's backlog through two rigs contracted.

4.5.5.2 Contracts with Customers

A- Contract Awards by Customers

The methods through which the Group pursues new business opportunities vary. National oil companies usually require participation in full tender exercises prior to awarding new contracts. The Company participates in tenders to win new contracts and renew certain existing contracts. Contract extensions or renewals procedures with Saudi Aramco are driven by REI scoring (see Section 4.5.2.1 (*Rig Efficiency Index*)) and have historically always been renewed, with the Group's high REI performance a key contributing factor. Moreover, the Group is subject to Saudi public procurement regulations when bidding on Saudi Aramco and KJO contracts.

B- Pricing

The Group has a flexible pricing strategy that can be tailored and adjusted depending on its customers' demands and the macroeconomic environment.

i- Day Rates

The Group provides drilling and other services to its customers on a "day rate" contract basis. Under such day rate contracts, the Group provides the rig, along with the rig crew and receives a fixed remuneration per day for drilling.

Drilling contracts are typically awarded on a project or site-by-site basis and vary in terms and rates depending on the operational nature, technical specifications of the drilling units, duration of contract, size and type of equipment and services, geographic area, market conditions and other variables. Day rates are negotiated directly with customers or determined through a formal bidding process and can be influenced by the operating performance of the service provider or rig, as well-established drilling contractors with a strong track record of safety and operating uptime are generally able to negotiate more favourable day rates. Relevant contractors' prior experience with a customer can be a deciding factor in the awarding of contracts and negotiation of contract terms, as discussed further below.

The drilling industry is highly cyclical and volatile. Market factors, such as drilling rig supply/demand ratio, customer exploration and production capital expenditure budgets, Brent crude oil prices and natural gas prices, can all impact day rates. As is common in the industry, the Group's contracts can contain multiple day rates, including specified day rates for routine operations and reduced day rates for equipment downtime, adverse weather, rig moves, force majeure or other instances of scheduled or non-scheduled events, including for circumstances both within or outside the Group's and the customer's control.

Revenues are impacted by day rate levels and by inactive periods between contracts, including for repairs, overhauls and inspections, and stacking of rigs (i.e., storing a drilling rig upon completion of a job when the rig is to be withdrawn from operation for a period of time). Day rates are primarily driven by market supply and demand outlook, and can also be subject to commercial renegotiations during the contract term. The same rig can be contracted at very different day rates, depending on the time of the tender submission and the then-prevailing supply/demand conditions.

ii- Other Types of Fees

Additional fees or reimbursement may be paid to the Group for contract preparation and capital upgrades, such as mechanical or structural alterations to a rig necessary to meet customer specifications, and for mobilisation costs necessary to relocate the rig for relevant contractual operations. Contracts may also include lump-sum rig move costs for relocating rigs to its various drilling locations within the Kingdom, or day rates for demobilisation to relocate the drilling unit to its designated end-of-contract location, as stipulated in the contract. These provisions vary and are based on negotiations of individual contracts with customers, which can be influenced by the contract duration, day rates, local market conditions and other factors.

In addition, other types of fees include a charge to the customers for certain contractually agreed costs, which typically covers catering for the crew on the rigs, consumables and spare parts, lost-in-hole drill strings and additional manpower.

The contractual mobilisation fee, to upgrade or outfit a rig to a customer's specification or to bring the rig into the Kingdom to commence operations, can range from a few to tens of millions of USD. Such fees are dependent on a number of factors, including the extent of the upgrade required, the distance to the operation starting point, the market environment and timing in the supply/demand cycle, etc.

Rig moves are typically charged at a lump sum amount, covering a defined distance plus a price by kilometres in excess of the defined distance. Rig move rates typically range from a few hundred thousand to a few million USD, as determined by the distance between the old and new location of the rig.

C- Contract Features

i- Contract Terms

In line with market practices, contracts are typically awarded on a multi-year basis (typically three to five years), which in most cases includes a one- or two-year extension option at the customer's discretion. The Group's primary focus is to secure long-term agreements, providing secured cash flows without risking having to lock rigs at low day rates when the market is expected to move to higher day rates. Occasionally, Saudi Aramco contracts may be for longer terms (up to ten years).

"Greenfield exploration projects" consist of exploration of unchartered territory, where hydrocarbon deposits are not yet confirmed to exist, and such projects are generally considered an investment in developing a future production field. "Brownfield projects" consist of workover activity on producing assets, and such projects are generally considered part of ongoing operations. Greenfield exploration projects tend to be shorter term and more closely linked to prevailing commodity prices and the success of exploration activities than brownfield projects, as customers are often unwilling to make investments in unproven fields during periods of low oil prices, which renders the project less commercially viable. Typically, greenfield exploration projects have a longer lead time and require higher investment but the resource potential is higher whereas brownfield projects have a shorter lead time and require lower investment but with lower resource potential due to the decline of natural reservoir production. Separately, decommissioning projects consist of plugging and abandonment of mature oil and natural gas wells at the end of their lives.

The Company is exposed to many brownfield drilling activities with fields that will continue to produce assets for decades at very low costs of supply globally. Consequently, the Company operates in a market that has historically been resilient to oil price fluctuation and market cycles.

For the twelve-month period ended 31 December 2021G, all of the new contracts or extensions entered into by the Group represented either contract renewals or extensions with existing customers. The following table shows the status of the Group's rigs since 2016G:

Table (4.5): Status of the Group's Rigs Since 2016G

Contractual Status	As of 31 December						As of Date of Prospectus
	2016G	2017G	2018G	2019G	2020G	2021G	
Contracted and Active	26	27	43	43	33	37	40
Non Operational							
Contracted and Temporarily Suspended	-	-	-	-	9	3	1
Contracted and yet to Commence Operations	-	-	2	-	-	1	1
Uncontracted and Idle	6	8	4	4	5	4	3
Total	32	35	49	47	47	45	45
Held for Sale	-	-	-	2	2	2	1

Source: The Company.

As of 31 December 2021G, the shortest remaining contract term for any of the Group's contracts was approximately three months and the longest remaining contract term was five years.

ii- Extension, Suspension and Termination Options

All of the Group's drilling contracts have extension options, which can be exercised at the discretion of the customer, typically at previously agreed prices and terms. Customer contracts may also be subject to suspension, termination, cancellation and delays for a variety of reasons, including at the customers' sole option without cause (which may be subject to payment of a penalty fee) or for other circumstances beyond the Group's and/or the customer's control. As a result of the COVID-19 pandemic, suspension provisions were introduced into contracts to allow Saudi Aramco to suspend contract activity, and in certain circumstances to extend the contracted term for a period of time equal to the suspension period. Such suspension provisions may also provide for a reduced day rate, or a nil day rate, and may require a rig to be ready for immediate redeployment at the customer's option. The Group had a total of eight onshore rigs and one offshore rig temporarily suspended between 2020G and 2021G due to the inclusion in the contracts of a suspension clause giving the right to the customer to suspend the rig at any time with a seven-day notice. Out of the nine rigs suspended, six had already resumed operations as of 31 December 2021G. Further, as of the date of this Prospectus, three onshore rigs have resumed drilling operations between January and June 2022G and another offshore rig has resumed drilling operations in April 2022G, and the Group has received notice for resumption of operations for a further onshore rig (which is the last one subject to suspension), which the Company is working on and which is expected to be operational by the end of September 2022G.

Specific termination provisions are also set out in the Group's drilling contracts, which usually include a notice period for cancellation and may also include early termination fees. Such termination fees will typically be charged and collected only during the primary term of a contract (i.e., typically not applicable during the extension period), and will vary from contract to contract and can include the payment of a certain percentage of the contract day rate for either a contractually specified number of days or the number of firm contract days remaining on the contract. However, in certain contracts the termination fee paid can be refunded or reduced (or infrequently, eliminated) if the Group is able to secure a subsequent drilling contract with a different operator within a stipulated time period. Additionally, contracts customarily provide for automatic termination or optional customer termination for cause, typically without the payment of any termination fee. These provisions can be triggered under pre-defined circumstances such as non-performance or material breach of the contract by the Group, including but not limited to for operational or safety performance issues, equipment failure, and sustained downtime related to force majeure events.

As of 31 December 2021G, 10.0 per cent. of the Group's contracts are in their original term, while 90.0 per cent. of the Group's contracts are operating in extension periods. The Group does not consider that having such a high proportion of contracts on extension terms in comparison to contracts in their original terms is an indication that backlog may not be fully realised, provided that the REI scores of the rigs remain at a high or superior level.

iii- Invoicing

Customers are typically invoiced monthly, based on the day rates applicable to the specific activities the Group is contracted to perform on an hourly basis. Such customers usually make the relevant payments and satisfy the amounts due within 30 to 90 days from the date of the issuance of the invoice, despite specific payment terms not being defined in the drilling contracts with Saudi Aramco. Lump-sum contract preparation, capital upgrade and mobilisation fees are typically invoiced at the commencement of the initial phase of the contract. Lump-sum or day rate demobilisation and termination fees are typically billed at the completion of a contract if certain stipulated conditions are present. Some contracts also provide for price adjustments tied to material changes in specific costs or variations in the average price of Brent crude oil or natural gas. As of 31 December 2021G, the Group's days of sales outstanding is an average of 78 days.

iv- Indemnity Provisions

In line with market practices, indemnification provisions against the Group or its customers may vary in the Group's drilling contracts, as such provisions are typically individually negotiated. In general, the parties assume liability for their respective personnel and property. Customers typically assume responsibility for, and indemnify the Group against, well control and subsurface risks under day rate drilling contracts, which includes indemnifying the Group from any loss or liability resulting from pollution or contamination (including clean-up and removal and third-party damages) arising from operations under the contract and originating below ground (including as a result of blow-outs or cratering of the well). However, in certain cases, the Group may retain risk for damage to customer or third-party property on the rigs and may retain liability for third-party damages resulting from pollution or contamination. As of the date of this Prospectus, the Group is not subject to any such claims.

Additionally, customer contracts may require the Group to provide minimum coverage under the contract such as comprehensive general liability coverage or automobile liability coverage. The Group generally indemnifies customers for pollution that originates from its rigs that are within its control (for example, diesel fuel or other fluids stored onboard for the use of the rig). Overall, the degrees of indemnification and/or risk retention vary from contract to contract, and prevailing market conditions and customer requirements existing when the contracts were negotiated, among other factors, can influence such contractual terms. In most instances in which the Group is indemnified for damages to the well, the Group is responsible for redrilling the well. Notwithstanding a contractual indemnity from a customer, customers may not be financially able to indemnify the Group or otherwise honour their contractual indemnity obligations. As of the date of this Prospectus, the Group is not subject to any such customer contractual liability claims.

4.5.5.3 Backlog

Contract backlog is the maximum contract drilling revenues that can be earned over the remaining term of the contract firm commitment period, represented by executed definitive agreements, based on the contractual day rate. Contract backlog excludes revenues resulting from mobilisation and demobilisation fees, capital or upgrade reimbursement, recharges, bonuses, rig move revenue and other revenue sources.

The contract firm commitment period excludes extension options, unless such options have been exercised for the relevant contract. Actual day rates may differ from the contractual day rates and may include adjustments based on market factors, such as oil prices or cost increases and negotiated discounts. The backlog is calculated based on the contractual day rate or the last agreed day rate and does not include any future potential adjustments. The recent temporary suspension introduced by Saudi Aramco due to COVID-19 is not considered to have any impact on the overall backlog other than at the time of revenue recognition. Despite backlog being calculated based on estimated numbers, the Group considers that backlog is a helpful guide to its potential future revenue generation.

As of 31 December 2021G, the Group's backlog was SAR 2.4 billion and the average of the remaining contracted term was 0.9 years per rig. The backlog position has significantly increased in March 2022G as the Group received two new contract awards for three years each for two additional jack-ups and two existing onshore rigs. The value of the Group's backlog amounted to SAR 8.2 billion as of 31 July 2022G. Further, the Group expects contracts expiring in 2022G to be renewed or extended, which would further contribute to strengthening the backlog position. These backlog estimates are subject to a number of assumptions and should not be relied on as an indication of future revenues, but reflect an estimate of possible revenues should such assumptions prove true and absent any other unforeseen developments. For example, revenue generated may differ from the revenue assumed in the backlog calculation due to prolonged out of service time either planned or unplanned.

In addition, certain rig contracts provide for variable operating day rates or rates that may be subject to change. Accordingly, the actual revenue generated by a rig may differ from the revenue assumed for that rig in any backlog calculation. See Section 2.1.5 (*Risks Related to Backlog*).

Calculation of contract backlog includes potential revenue that can be received until the expiry of the principal term of the contract and does not take into consideration revenue that could be generated on any potential extension or renewal of such contract. In some situations such as when the Group expects the day rate to increase, the Group may not wish to enter into long-term contract renewals which could fix the day rate for an extended period and may instead prefer shorter term contract extensions, which could have an impact on the expected backlog for such contract, given it will only be calculated until the end of the contract terms.

Where contracts are extended, backlog also does not take into consideration the impact of contract termination provisions, wherein contracts may be terminated, with no penalty, upon 30 days' notice. Such terminations would have an impact on the accuracy of backlog calculated on the assumption the contracts will run the course of its extended term.

The value of the Group's backlog amounted to SAR 2.4 billion as of 31 December 2021G, of which Saudi Aramco accounted for 64.1 per cent., KJO accounted for 31.0 per cent. and Schlumberger accounted for 4.7 per cent., respectively. The value of the Group's backlog amounted to SAR 8.2 billion as of 31 July 2022G, of which Saudi Aramco accounted for 66.8 per cent., KJO accounted for 7.7 per cent., Schlumberger accounted for 22.9 per cent. and Baker Hughes accounted for 2.6 per cent. The following table provides the Group's backlog as of 31 July 2022G, split as of 31 December 2022G to 2026G and beyond:

Table (4.6): The Group's Backlog as of 31 July 2022G, Split as of 31 December 2022G to 2026G and Beyond

SAR million	As of 31 December				2026G and beyond
	2022G	2023G	2024G	2025G	
Saudi Aramco	669.7	1,649.3	1,497.8	970.5	723.7
Schlumberger[1]	298.3	614.6	571.4	401.3	0.0
KJO	89.8	209.6	134.0	89.3	111.3
Baker Hughes	31.7	75.6	75.8	34.4	-
Total	1,089.6	2,549.1	2,279.0	1,495.5	835.1

Source: The Company.

[1] Includes Schlumberger Middle East S.A and Dowell Schlumberger Saudi Arabia Ltd.

4.5.6 Health and Safety

The Group places a high priority on managing the risks inherent in the offshore and onshore drilling industry and is committed to compliance with the highest national and international QHSE standards. The Group relies on the support of a full-time QHSE team and manager to ensure all QHSE compliance, emergency response and business continuity, including the role of a Crisis Management Team, which monitors and takes strategic decisions regarding evolving situations, including the ongoing COVID-19 pandemic, to minimise exposure to its employees and effect on business continuity.

The Group's has a QHSE Management System (QHSEMS) in place which has eight basic elements and is in line with international organisations guidelines such as International Association of Drilling Contractors and International Oil and Gas Producers. The QHSEMS, together with the corresponding policies and standards, define the Group's vision and mission. It also describes how these need to be achieved. The Group's QHSE policies are approved by the CEO to provide a clear commitment to the Group's employees regarding health, safety and protection of the people and the environment. This commitment to HSE is communicated throughout the Group organisation and all the Group managers maintain and track their leadership activities within their operations and day to day activities.

The Group's HSE policy and Quality Management System process are communicated to all employees, customers, contractors and third parties associated with its operations. The Group's QHSE team works closely with the employees, customers, and on-site contractors to maintain the safety and wellbeing of all stakeholders. This includes implementation of strict standards, including personal protective equipment, working at heights and in confined spaces, as well as procedural issues, such as third-party certification for lifting and drilling equipment, machinery, firefighting systems, first aid procedures, control measures, emergency and contingency plans and job specific training registers. The Group has a robust training and certification management system that enables the group to ensure that its employees and associated external parties are properly trained and competent for their jobs. The QHSE MS also defines a framework of auditing programmes which ensures that policies and procedures are being implemented as per defined criteria given in the management system. Empowering Group's employees and motivating them to stop any unsafe act is a cornerstone of Groups empowerment to stop programme for its employees. This is also communicated by the CEO, providing personal commitment to each employee to support him/her as and when he/she stops and unsafe act. The Subsidiary also has its own QHSE Department, entrusted with the responsibility of HSE management activities in a similar fashion. An accident involving one of the Group's drilling rigs occurred in May 2022G due to human error, resulting in the injury of two workers and the death of a worker. Accordingly, the Group is completing its investigations in this regard and seeks to ensure the implementation of strict HSE quality, standards, in addition to examining the results of investigations related to the incident, in order to ensure that the health and safety of the Group's employees and stakeholders are given the highest priority in its operations and business.

All of the Group's rigs are subject to the maintenance and inspection regime governed by the International Standards in line with customer requirements and applicable international standards, such as American Petroleum Institute Standards and International Maritime Organization for offshore rigs. All rigs are subject to periodic testing with a major inspection as per international standards requirements. The Group's offshore fleet is also subject to "**Underwater Inspection in Lieu of Dry-Docking**", intermediate surveys and annual inspections between each special periodic survey. The marine equipment of the Group's fleet is certified according to international safety standards under the International Safety Management Code, providing universal recognition of its equipment as being qualified for international operations. The Group has in-built auditing system to ensure that equipment is well maintained as per Original Equipment Manufacturer and international standards. All drilling equipment of the Group's fleet are certified according to the relevant American Petroleum Institute standards and original engineering manufacturer guidelines. Regular monthly reports are provided to the Group's management, which also covers health and safety concerns and incidents (if any), and recommendations can then be made to improve health and safety measures where required. Examples of this include the Group's actions taken with regards to the COVID-19 pandemic, with a Business Continuity Plan and Emergency Response Plan for COVID-19 for worksites in place and which is regularly updated in accordance with the Kingdom's Ministry of Health guidelines, as well as meetings with all rig personnel to clarify the COVID-19 situation and fatigue management of crews in the field.

Operationally, the Group records and tracks the number of man-hours worked, workers, lost days, lost time incidents, medical issues and fire accidents. Regular communications are sent to all of the Group's personnel about any latest developments, changing situations and government and Group arrangements via the QHSE communication portal. The Group is also committed to training and developing the skills of its employees. The Group operates the Dhahran Training Centre, aimed at developing a competent workforce for the oil and gas industry, and to train Saudis as supervisors and managers. The Dhahran Training Centre is the first training facility of its kind run by a drilling contractor in the Kingdom. It is also the first such training centre in the Kingdom since 1993G to be accredited by the International Well Control Forum and the International Association of Drilling Contractors certification programmes to provide well control training programmes and certifications. The Dhahran Training Centre is now one of the biggest drilling training centres in the Kingdom (calculated based on the ratio of courses to Company's employee headcount), conducting over 100 training courses (including certain courses required to be provided annually per regulations such as well control and lifting and hoisting). The Dhahran Training Centre is accredited with two major international certifications – ISO 9001:2015 Quality Management and ISO 29993:2017G Training Practice for non-formal education, which is unique in drilling operators in the Kingdom and is also accredited by other international institutes such as the Offshore Petroleum Industry Training Organization. The Dhahran Training Centre is an integral part of the Group's commitment to develop and train its employees in order to support operations being conducted efficiently and safely, providing training programmes including Competency Assurance Program 3 (CAP 3) Driller, CAP 3 Supervisor, CAP3 Crane, Stuck Pipe Prevention (Introduction and Advanced) and Amphion Operator.

QHSE is a core value for Group's business hence QHSE goals and results are developed and tracked by Group Management at all levels. The Group has an excellent HSE performance benchmarked against International Association of Drilling Contractors and competitor performance. The Groups HSE performance has a remarkable year on year improvement for the last five years.

The following table shows various health and safety rates reflecting excellent HSE performance by the Group when benchmarked against the industry average (based on the International Association of Drilling Contracts indicators) for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (4.7): The Group's Health and Safety Rates Benchmarked Against the Industry Average for the Financial Years Ended 31 December 2019G, 2020G and 2021G

	Group / Industry Average	For the Financial Year Ended 31 December				
		2017G	2018G	2019G	2020G	2021G
Total Recordable Incident Frequency Rate[1] (TRIF)	Group	1.26	1.08	0.79	0.75	0.22
	Industry Average	2.70	3.39	3.12	2.28	2.91
Combined Lost Time Incident Frequency Rate[2] (CLTIF)	Group	0.63	0.87	0.55	0.41	0.14
	Industry Average	1.67	2.43	2.07	1.57	2.13

Source: The Company.

Notes:

[1] "Total Recordable Incident Frequency Rate" means number of total recordable incidents per million man hours.

[2] "Combined Lost Time Incident Frequency Rate" means number of fatalities, lost workday cases and restricted workday cases per million man hours worked.

4.5.7 Environmental, Social and Governance Considerations

4.5.7.1 Environmental

The Group is committed to maintaining a sustainable organisation that also helps to meet the Kingdom's growing energy needs in a safe, environmentally responsible and socially sensitive manner while remaining competitive. The Group's operations are conducted in alignment with Saudi Vision 2030, and eight of the 17 Sustainable Development Goals of the United Nations. The Group QHSE policy is approved by the CEO and provides commitment to protecting the environment with resources to enable the Group to do so. The Group has an Environmental Protection Standard in place that regulates various programmes to ensure that Group activities are in line with environmental regulations and customer expectations. The Group's environmental initiatives and programmes are in line with Saudi Vision 2030. The Group documents entry and exit environmental surveys for any drilling site that the Group is contracted to work at by a customer. The environmental initiatives by the Group include water conservation, greenhouse gases reduction and waste recycling programmes. This includes installing alarm systems at its drilling water pits and conducting a pilot study to assess further water conservation potential (with sensors regulating water flow) at its rigs. The Group also engages in regular water testing with the Kingdom's Ministry of Health and third-party laboratories.

The Group launched a programme aimed at mapping and reducing its carbon footprint and the Group has already mapped its carbon footprint for 2020G and 2021G. The Group believes its operations are in material compliance with all applicable environmental laws and regulations, and has QHSE policies in place with strict operating guidelines to limit the impact to the ecosystems in which it operates. The programme consists of short-term initiatives (such as efficient engine/elimination utilisation, tree plantation campaign, improving logistics operation efficiency to reduce vehicle movement and mileage, and switching from car transportation to railway for crew change operation), as well as long term initiatives (such as considering solar power generation, automated power controls and management at rig sites. In an effort to reduce operational emissions, the Group has also installed LED lighting across its corporate offices, and conducted a pilot programme to assess the viability of a hybrid (solar and diesel) lighting system.

The Group reduced its greenhouse gases emissions from its own vehicles by putting in place a "Logistics Cell" to efficiently use the trucks for onshore rigs, in order to reduce the mileage for logistics movements from 192,236 km average per month to 96,124 km per month, saving over 40,000 litres of diesel fuel thereby reducing emissions by 134 CO2-e (metric tons). All rigs present in an area that may be served or partly served by Saudi Railways have been a focus of changing the crew change process to use the railways. Crew movement for these rigs has been changed from using crew buses to utilising Saudi Railways for all crew movements. This has saved an average mileage of 121,248 km per year for the Group's crew buses. This in turn translates into a decrease of 24,249 litres of diesel burned and an estimated reduction of 66 CO2-e (metric tons). The Group is working on piloting a study to modify "Tower Light" and to make them "Hybrid", by using wind power and solar energy to power them. This is being field tested as of the date of this Prospectus. If the concept is proved, it will be implemented at all Group rigs saving considerable amount of diesel fuel and contributing to reduction in greenhouse gases emissions. Another ongoing initiative is underway in the form a detailed study of Group's activities and facilities to identify sustainable and alternate sources of energy. The results of this study will be available by the end of the second quarter of 2022G. The Group expects to finalise a KPI regarding the reduction of its carbon footprint in 2022G. The Group disclosure of data relating to an organisation's environmental, social and governance performance is through its Group Annual Sustainability Report.

4.5.7.2 Social

The Group is actively engaged in promoting gender diversity and female employment in the workforce of the Kingdom and the number of the Group's female employees has increased by 38.0 per cent. between 2020G and 2021G. While a significant portion of the Group's workforce are employed to work in the field (i.e., on rigs) or in yards or bases, among office-based positions, as of 31 December 2021G, 13.0 per cent. of the office-based workforce are female employees.

4.5.7.3 Governance

The Group has in place well-established policies and procedures to operate its business effectively, which are updated regularly following industry best practices and to comply with regulations imposed by the Kingdom. The Group's Compliance Department, established internally in 2016G, works closely with on-site rig operatives to ensure that all transactions and processes are executed according to the relevant rules, regulations and Company policies and procedures, and makes monthly reports to management on the latest initiatives and updates relating to risk management and compliance.

The Group also has in place an Internal Control System which is monitored by the Compliance Department to ensure it functions efficiently and effectively and assists in driving sustainable improvements. Overall, the Compliance Department regulates the effectiveness and efficiency of the Group's corporate governance by:

- reviewing, enhancing and developing the Group's policies and procedures – policies include Compensation & Benefits, Time Off, QHSE and IT Cybersecurity Standards. The Compliance Department also regularly updates the Group's Compliance Risk Management Framework and Enterprise Risk Management system to ensure proper risk management in its operations;
- ensuring relevant internal control processes are adequately built into such policies and procedures;
- reviewing implementation of policies and procedures to ensure its effectiveness and efficiency (supported by the Group's independent Internal Audit function since 2017G);
- ensuring the Group's Code of Conduct is appropriately adhered to in all business activities and that instances of conflict of interest, if any, are properly identified and addressed with appropriate management action;
- ensuring all business transactions are executed as per the approved authority matrix;
- ensuring that the Group complies with all statutory requirements per local laws and regulations; and
- quarterly self-assessment to test the effectiveness of certain key controls of the Group's finance function.

See also Section 5.6 (*Corporate Governance*) for further details regarding the compliance by the Company with its corporate governance obligations as a listed company.

4.5.8 Insurance and Risk Management

The Group's operations are subject to hazards inherent in the drilling, completion and maintenance of shallow water and onshore oil and natural gas wells. These hazards include, but are not limited to, blowouts, punch through, loss of control of the well, abnormal drilling conditions, mechanical or technological failures, seabed cratering (for offshore wells), fires and pollution. These conditions can cause personal injury or loss of life, loss of revenues, pollution, damage to or destruction of the environment, property and equipment, the suspension of operations and could result in claims or investigations by regulatory bodies, customers, employees and others affected by such events. In addition, claims for loss of oil production and damage to formations can occur in the shallow water drilling industry. If a serious accident were to occur, it could result in the Group being named as a defendant in lawsuits asserting large claims and incurring costs and losses associated with such claims.

Given the risks of its operations, the Group has in place various insurance cover as is customary in the industry, including general business liability, hull and machinery, cargo, casualty and third-party liability insurance, worker's compensation, motor vehicles insurance, insurance for equipment and, if applicable, marine insurance for goods and equipment transported to each rig. Insurance policies typically consist of twelve-month policy periods. Based on the Group's current rig insurance coverage as provided by a syndicate of 14 underwriters, including AIG, Zurich, CV Starr, Beazley and Tokio Marine HCC (all of which provide 10.0 per cent. or more of the coverage placement), the total insured value of the Group's onshore and offshore rigs is approximately SAR 5.3 billion.

The Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations (such as for pollution and environmental risks). The Group will only receive insurance proceeds in respect of a claim made by it to the extent that its insurers have the necessary funds to make payment. Therefore, such insurance may not cover all losses incurred and no assurance is given that the Group will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies. The Group works to keep its insurance cover aligned and updated, on an ongoing basis, in accordance with the latest insurance solutions available in the global insurance market, and periodically evaluates risk exposures, insurance limits and self-insured retentions.

In August 2021G, the Group suffered an incident on one of its onshore rigs (AD48). During a routine rig operation, the failure of a hydraulic piston resulted in the rig sub-base substructure and mast to lean at a 30-degree angle. The mast has since been properly dismantled and secured, and the substructure has been replaced with one from an idle rig. No bodily injury was sustained during the event. The quantum of estimated repairs has been assessed at approximately SAR 13.0 million. The claim is expected to be finalised and submitted to loss adjusters by the end of the second quarter of 2022G. The Group believes that its insurance policy will be able to fully cover the cost of the repairs (save for a deductible of SAR 0.8 million).

Save for the above assessment of damages, neither the Company nor the Subsidiary has made, or expects to make any material insurance claims in the last three financial years. For further information regarding the Group's insurance policies, see Section 12.9 (*Insurance Policies*).

4.5.9 Information Technology

The Group utilises various innovative IT solutions to improve efficiency, transparency and privacy in its operations. The Group utilises an enhanced Delegation of Authority Matrix, which accelerates the Group's process of approvals, and has established guidelines for Electronic Data Management System implementation and Enterprise Risk Management to ensure proper handling of data and risk management.

The Group also regularly updates its IT strategy every five years to enable the Group to deliver a digitally resilient and secured network of information technology. The Group's IT service desk is responsible for operating the Group's IT landscape 24 hours a day and operates a ticketing and Unified Endpoint Management System for managing its end-user devices. Field assets of the Group are tracked through Radio-Frequency Identification Devices.

The Group's IT team has been working to segregate the Group's IT services (including Infrastructure, Network, Operational and Business Applications) from SPS' services, while IT services of the Group have traditionally been run with support from its shareholder SPS, since 2019G. This segregation project is ongoing, with handover of all operations expected to be completed in the second quarter of 2022G. See also Sections 2.1.12 (*Risks Related to Impact of Cybersecurity Attacks on Security and Reliability of Technology Systems*).

Following restructuring of its Operations Excellence Department during the financial year ended 31 December 2020G, support functions are now 100.0 per cent. integrated across the Group.

4.5.10 Suppliers

The Group maintains long-term relationships, and actively collaborates with, its core suppliers and service providers. The Group has a dedicated Supply Chain Department (which regularly reports to the Board) and has central oversight over and management of supply chain operations, which coordinates and manages the Group's relationships with its key suppliers and service providers. The Group is thus able to benefit from greater economies of scale in the procurement of goods and services and sub-contracting work, lower costs and generally greater levels of cooperation with its vendors.

The Group made purchases from over 1,350 suppliers, including 867 local suppliers and 486 foreign suppliers, during the financial years ended 31 December 2019G, 2020G and 2021G. Purchases from local suppliers represented 62.1 per cent., 60.9 per cent. and 64.9 per cent. of the total purchases in the financial years ended 31 December 2019G, 2020G and 2021G, respectively. Purchases from suppliers outside the Kingdom represented 37.9 per cent., 39.1 per cent. and 35.1 per cent., respectively, in the same periods, and purchases from the top five suppliers accounted for 26.9 per cent., 35.7 per cent. and 26.9 per cent., respectively, of the total purchases in the same periods. No supplier accounted for more than 11.0 per cent. annually of the Group's purchasing needs. The following table shows the main suppliers of the Group accounting for five per cent. or more of the Group's purchases and details of the products and services supplied in any of the financial years ended 31 December 2019G, 2020G and 2021G:

Table (4.8): The Company's Main Suppliers Accounting for Five per cent. or more of the Group's purchases and the Details of the Products and Services Supplied in the Financial Years Ended 31 December 2019G, 2020G and 2021G

Supplier	Incorporation	Financial Year Ended 31 December			Products and Services Supplied
		2019G	2020G	2021G	
Honghua Golden Coast Equipment FZE	China	0.03%	10.95%	0.72%	Drilling Rigs Manufacturer
Nov Saudi Arabia Trading Co.	Saudi	10.76%	9.70%	7.74%	Drilling & Mechanical Equipment
Arab Shipbuilding & Repair Yard Co. (Asry)	Bahrain	5.40%	5.44%	1.75%	Shipyard and rig repairs Service
Cameron Alrushaid Co. Ltd	Saudi	3.2%	5.37%	8.09%	rig spare parts supplier and inspection certification services

Source: The Company.

The Group procures goods and services based on established price catalogue with certain pre-qualified vendors and through competitive bid assessment with minimum three quotation for non-catalogue items. The main categories of products and services provided by third-party suppliers are as follows:

4.5.10.1 Rigs

The main suppliers of rigs to the Group are Nov Saudi Arabia Trading Co. and Cameron Alrushaid Co. Ltd (SLB).

4.5.10.2 Spare Parts

The main suppliers of spare parts to the Group are Zahid Tractor & Heavy Machinery Co., NOW Saudi Arabia Limited, Honghua Golden Coast Equipment FZE, Cameron Middle East Fze (SLB), SRI Energy Inc. and Arabian Rig Manufacturing (NOV).

4.5.10.3 Equipment and Materials

The main suppliers of equipment and materials, as well as related services, to the Group are Arab Shipbuilding & Repair Yard Co. and Mtq Oilfield Services W.L.L.

As of the date of this Prospectus, the Group has no particular issues in connection with obtaining the services, equipment, materials and supplies necessary to support its operations on a timely basis. Business continuity plans covering alternative vendors for all critical products are also in place to provide satisfactory alternative arrangements in the event of any interruption in the supply of these services, equipment and/or materials by any of the suppliers.

4.5.11 Geographic Locations and Operations

The Company's head office is located in the city of Al Khobar, Kingdom of Saudi Arabia. As of 31 December 2021G, the Group operated from five locations within the Kingdom. The following table shows the geographic location of the Group's premises as of 31 December 2021G:

Table (4.9): Details of the Group's Geographical Locations as of 31 December 2021G

No.	Operating Company	Country	City	Nature of Presence	Number of Branches
1	Arabian Drilling Company	Kingdom of Saudi Arabia	Al Khobar	Head office and two compounds	1
2	Arabian Drilling Company	Kingdom of Saudi Arabia	Dhahran	Operational base and training centres	1
3	Arabian Drilling Company	Kingdom of Saudi Arabia	Riyadh Road	Yard	1
4	Arabian Drilling Company	Kingdom of Saudi Arabia	Khafji	Operational base and compound	1
5	OFSAT Arabia LLC	Kingdom of Saudi Arabia	Abqiq	Operational base and yard	1

Source: The Company.

The following map shows the geographic locations of the Group's rigs as of 31 December 2021G:

Exhibit (4.2): The Geographic Locations of the Group's Rigs as of 31 December 2021G

Source: The Company.

4.5.12 Awards and Operational Achievements

4.5.12.1 Awards

The Group is a leading drilling contractor in the Kingdom, and is committed to achieving excellence in performance and quality, managing responsibly the impacts of the Group's growing business and maintaining safety and sustainability in its operations. The Group as a whole is also committed to supporting and aligning its development with the Saudi Vision 2030.

The Group is the only drilling contractor who has been recognised by Saudi Aramco with the In-Kingdom Total Value Add (IKTVA) Excellence Award during 2016G – 2019G and again in 2021G (with the awards being cancelled in 2020G) with awards for "Best in Employee Recognition" in 2016G, "Best in Training & Development" in 2017G, "Best in Saudization" in 2018G, "Highest Overall IKTVA Performance" in 2019G, and "Best in Saudization (Services)" in 2021G.

Other awards also include the "King Khalid Award for Responsible Competitiveness" in 2017G (winning the award over 244 companies in the Kingdom competing in that category) and granted Gold Status for 2030 Vision Check by the New York-based consulting firm AccountAbility for two consecutive years (2017G and 2018G).

4.5.12.2 Operational Achievements

The Group strives to maintain its extensive track record of operational excellence, and engages in various initiatives to provide customers with superior service. The Group's efforts have been recognised within the Kingdom and within the industry, with its latest key operational achievements for 2020G and 2021G, including:

- the highest Saudization rate amongst all other drilling contractors in the Kingdom (as of 31 December 2021G, 71.7 per cent. of the workforce were Saudi nationals), assessed as part of the 2021G IKTVA score below;
- 2021G non-productive time of 0.74 per cent., being the lowest non-productive time achieved in the last seven years by the Group;
- total recordable incident frequency of 0.22, which is well below the upper limit of the Group's self-imposed target of 0.95 and the industry average of 1.28 (2020G) as reported by the International Association of Drilling Contractors;
- recognised by Saudi Aramco as a leading rig fleet with a 2021G REI 36-month average score of 92.0 per cent., with 20 of the Group's rigs ranked "Superior Performance"; and six of the Group's rigs ranked "High Performance". The following table shows the Company's REI quarterly score in 2020G and 2021G:

Table (4.10): The Company's REI Quarterly Score in 2020G and 2021G

Quarterly Period	Q1 2020G	Q2 2020G	Q3 2020G	Q4 2020G	Q1 2021G	Q2 2021G	Q3 2021G	Q4 2021G
REI Score	90.0%	94.0%	93.0%	91.0%	95.0%	94.0%	95.0%	92.0%

Source: The Company.

For year-end 2021G, the Company estimated its IKTVA score to be in the range of 70.0 per cent., pending confirmation from Baker Tilly MKM & Co. (one of the independent external auditors approved by Saudi Aramco to conduct the IKTVA calculation and assessment), as well as approval from Saudi Aramco.

4.6 Future Plans and Initiatives

The Company is consistently assessing opportunities to acquire new assets/businesses by actively participating in tenders and evaluating market developments and growth opportunities and consequently acquiring and investing in new rigs based on its research and evaluation. Some of the initiatives that the Company is pursuing include the following:

- diversifying the Group's geographical footprint by establishing operations in new geographical areas (i.e., Kuwait, Bahrain and Oman). The Group has for example already submitted in 2022G bids on projects in Kuwait and does not know yet the results of such bids as of the date of this Prospectus. The Group is also finalising its prequalification with Kuwait Oil Company to be able to provide services in several categories relating to onshore drilling scope. In addition, the Group submitted in 2021G bids on projects in Bahrain and did not win such bids. The Group will further continue to study markets in different geographies in order to find expansion opportunities;
- expanding its rig fleet in the Kingdom through the acquisition or lease of two offshore rigs to address customers' demand. As of the date of this Prospectus, the Group has entered into two purchase agreements for two self-elevating drilling rigs, for which the purchase process will be completed after fulfilling the contracted pre-conditions during the second half of 2022G; and
- establish the Company's training centre as a stand-alone entity providing in-house training courses accredited by the International Well Control Forum and the International Association of Drilling Contractors certification programmes. This will further support the Group's efforts to maintain high IKTVA scores, to provide training to Saudi workforce and further develop Saudi national drilling expertise.

4.7 Overview of Company’s Departments

The Company has a number of administrative departments that support its various business activities. Set out below is a brief description of the activities of the Company’s departments:

4.7.1 Rig Operation Department

The Rig Operation Department is essentially responsible for delivering the drilling services in accordance with customer contracts and managing the day-to-day rig operations, through the following:

- ensuring adequate level of staffing and competency on the rigs, in line with contract requirements and the Company’s standards;
- operating and maintaining rigs and associated drilling equipment in accordance with the Company’s standards;
- implementing the Company’s QHSE Management System on the rigs;
- maintaining constant engagement with customer representatives and executing the customers’ programs;
- managing operational and capital expenditure of the rigs balancing operational performance with asset total cost of ownership; and
- preparing and getting approved by the customers operational summaries for invoicing purpose.

4.7.2 Human Resources Department

The Human Resources Department is responsible for all aspects of the Group’s human assets, including talent acquisition and recruitment, personnel training and development, as well as retention initiatives and administering the employee compensation and benefits programmes. In particular, the Human Resources Department performs the following:

- assists the Group in talent acquisition by matching the Group’s requirement to the available candidates, including finding, screening and recruiting highly qualified, well trained and experienced candidates;
- develops, reviews, scrutinise and maintains job descriptions, job classifications, as well as jobs competencies to enhance employees’ satisfaction and performance;
- develops, reviews and maintains human resource policies and procedures covering all human resources operations and activity areas of the Group;
- develops, reviews and administers salary scale and structure to ensure adaptability to the prevailing labour market as well as administering compensation and employee benefits;
- assists managers and ensures that the Group conducts its periodical assessments and appraisal of performance;
- strategises and runs training and development programmes to cover the entire range of basic and enhanced skill sets needed by the employees and the Group;
- runs and maintains orientation programmes for new joiners to ensure smooth change management;
- ensures compliance with Saudization requirements and other relevant regulations and guidance;
- employs technology to enhance human resources management and communication;
- ensures that the security and confidentiality of employee data and information are intact and maintained; and
- embarks on transformation activities in ensuring the human resources of the Group are in line with the latest human resource management development in the Kingdom and globally.

4.7.3 Finance Department

The Finance Department is responsible for providing the Company with accurate, timely and relevant financial reporting and business information to support the decision-making process, such as capital expenditure investment, bids and tenders and capital structure. In addition to the accuracy and timeliness of financial reporting, the Finance Department is also responsible for the following activities:

- preparing monthly internal financial reporting by the seventh business day of the following month;
- compliance with statutory financial requirements and IFRS;
- compliance with internal policies and procedures in order to support a robust internal control framework;
- preparing, tracking and reporting KPIs and other periodic management reports;
- ensuring proper cash management and debt servicing, financing needs, availability of funds and liquidity to meet the Group's cash obligations;
- preparing and filing Zakat and income and other indirect tax returns such as value-added tax and withholding tax;
- preparing and reporting on the business outlook in the form of budgets, quarterly forecasts and 5-year plans;
- managing the financial aspects of different transaction cycles, such as bill to collect, procure to pay, payroll management, asset management and inventory management;
- providing ad-hoc financial analysis as require by Executive Management;
- managing the financial aspects of the Group's relationship with third parties such as external auditors, financial institutions, suppliers;
- monitoring financial performance against set targets and providing bridging analysis when required;
- preparing the business case to support bidding strategy and capital expenditure investment;
- reporting on a regular basis to the Audit Committee and the Board on the above;
- promoting a cost control culture by identifying and tracking any cost avoidance or reduction initiatives; and
- contributing to identifying, planning and executing business process improvements such as integrated business ERP solution, digitalisations and eliminating low value-added tasks.

The Finance Department is structured into five different sub-departments (field accounting, corporate accounting, cash and treasury, shared services and performance management). Each of these sub-departments has specific roles and responsibilities to achieve the objectives outlined above.

4.7.4 Information Technology Department

The Information Technology Department is mainly responsible for ensuring that the Group employs the appropriate technologies to support its activities and future expansion plans and to secure its information and systems. In particular, the Information Technology Department performs the following functions:

- understanding the Group's strategic objectives and determining the appropriate information technology resources and infrastructure in accordance with the approved instructions, procedures and standards;
- maintaining the Group's systems, servers, storage units and networks in the best working condition;
- managing access and restrictions in relation to the users of information technology resources and infrastructure;
- managing, maintaining and upgrading the Group's enterprise resource planning system;
- automating processes and reports to ensure the provision of the appropriate information to the appropriate users in a timely manner; and
- ensuring safety and security of the Group's information and, in particular, guaranteeing the availability and effectiveness of disaster recovery plans and the safety from potential cyberattacks against the Group's systems.

4.7.5 Compliance Department

The role and responsibilities of the Compliance Department are summarised in Section 4.5.7.3 (*Governance*) above.

4.7.6 Internal Audit Department

The Internal Audit Department aims to improve the effectiveness of risk management, control and governance across all business segments of the Group. In particular, the Internal Audit Department performs the following activities:

- evaluates and provides reasonable assurance that risk management, control and governance systems are functioning as intended to enable the organisation's objectives and goals to be met;
- reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations for improving the organisation's operations, in terms of both efficient and effective performance;
- evaluates information security and associated risk exposures;
- evaluates the regulatory compliance programme with consultation from legal counsel;
- evaluates the organisation's readiness in case of business interruption;
- teams with other internal and external resources as appropriate;
- engages in continuous education and staff development; and
- provides support to the Group's antifraud department.

4.7.7 Legal & Contracts Department

The key responsibilities of the Legal & Contracts Department include the following activities:

- reviewing legal, constitutional and contractual documents, and providing legal advice to the Board of Directors and the Group's Senior Management and administrative departments in connection with the legal affairs of the Group;
- preparing and negotiating contracts and agreements;
- representing the Group before judicial bodies, and filing and pursuing lawsuits against other parties;
- reviewing laws, regulations, circulars and directives relevant to the Group's business; and
- supervising the holding of the General Assembly meetings and liaising with the relevant Government authorities.

4.7.8 Supply Chain Department

The key responsibilities of the Supply Chain Department include the following activities:

- evaluating new suppliers and agreeing on the best terms and conditions for the Group;
- maintaining the relationship with current suppliers;
- developing and executing detailed purchasing requirements and the timing of the materials/stocks to be in line with sample processing schedules and/or customers' deadlines; and
- maintaining the stock level and the purchasing cycle processes and procedures.

4.7.9 Operations Excellence Department

The Operations Excellence Department aims to foster continuous growth and performance improvement across all site functions by identifying and leading operational excellence initiatives such as:

- managing and balancing a pipeline of improvement projects and prioritising projects for 'business case development', as well as providing direct support in design and installation phases to own resources and business lines;
- monitoring project pipeline implementation progress, value delivery, assess variance compared to the business case, and ensuring the required measures are in place to meet sustainability objectives;
- identifying improvement projects aligned with business strategies and priorities and customer experience;
- designing and planning improvement projects (integrating process, technology, people and management systems) in alignment with (field) subject matter experts to facilitate improved operational performance;
- ensuring integration and alignment vertically and horizontally across the Group in collaboration with the various departments of the Company, with a special focus on field operational teams;

- establishing and maintaining performance metrics to measure project implementation success in areas of cost, schedule and expected impact;
- ensuring projects are handed over to function (business line) in a sustainable way, and monitoring long term change and benefits;
- defining the project execution plan to be used in activating/re-activating onshore and offshore rigs, in alignment with the Group's overall business plan, budget and QHSE standards;
- overseeing the activation/reactivation phases from the initial planning stage through to final 'ready to drill' integration testing of the rig and handover to operations organisation;
- reviewing and reporting regularly to Executive Management on activation/reactivation progress and plans in relation to annual KPIs; and
- identifying appropriate technical standards and regulations for the Group.

4.7.10 QHSE Department

The objectives of the QHSE Department are to maintain an incident free, secure and respectful working environment for all by minimising environmental impact, protecting assets and people, eliminating and mitigating hazards related to drilling operation and minimising unproductive time.

The QHSE Department's ultimate objective is to foster an incident-free working environment throughout all of the Group's locations at all time. The Group does not allow operational results to take precedent over safety and all employees throughout the Group have the right as well as the obligation to stop unsafe activities.

In addition, the QHSE Department is responsible for service quality as well as performance management through the following:

- the adoption of data driven performance monitoring mechanisms;
- the redefined Service Quality (SQ) follow-up through SQ – tracker, reviews, severity and responsibility matrix;
- the launch of online equipment tracking application and standardisation; and
- track monthly, year to date, and 12-month rolling average safety KPIs, such as total recordable incident frequency, non-productive time and automotive accident among others.

4.7.11 Assets Management Department

The role of the Group's Assets Management Department is to provide a holistic description of activities and processes involving each stage of the life of an asset from acquisition to operation, maintenance, retirement and disposal. The Assets Management Department provides guidance and information on performing these activities and processes with the objective of promoting continuous improvement as well as ensuring asset availability, reliability and integrity in drilling operations. The role of the Assets Management Department includes the following:

- ensuring that the technical specifications of rigs meet customer contract requirements;
- preventive maintenance in accordance with original equipment manufacturer specifications;
- providing an in-house workshop for equipment repair and certifications;
- integration of asset planning and management with the requirements of the Group's business;
- assessment of asset investment decisions through financial analysis;
- maintaining an accurate asset inventory;
- preventing technology obsolescence (see also Section 4.5.4 (*Technology*));
- determining the condition and the upkeep of equipment based on operation status or readiness, to be validated with a condition survey on the asset at a later date;
- identifying equipment due for major overhaul/recertification or expired certification;
- supporting project managers in the development of criticality rating of systems and equipment, equipment dependency checklists, pre-commissioning and commissioning criteria and class requirement checklists; and
- overseeing and inspecting key equipment (such as blowout preventers and accumulators) as well as readiness for reactivation and support during testing.

4.8 Business Continuity

There has been no suspension or interruption in Group's business during the twelvemonth period preceding the date of this Prospectus, which would affect or have a significant impact on its financial position, and no material change in the nature of its business is contemplated.

The Group's management has continually assessed the impact of COVID-19 on its operations and has taken a series of proactive and preventive measures to ensure the health and safety of its employees and to ensure the sustainability of its operations. As a result, the Group has maintained business continuity and operational capabilities throughout the pandemic. In particular, the Group was able to maintain appropriate staffing levels on all of its rigs, ensuring business continuity, despite multiple travel and crew change restrictions. Nonetheless, the Group has experienced a decline in its revenues during the COVID-19 pandemic, primarily due to a contraction in oil demand, which affected its customers' drilling plans and resulted in certain rigs having their drilling operations temporarily suspended, although as of the date of this Prospectus, eight of the Group's nine temporarily suspended rigs have received resumption notices, six of which resumed drilling operations during 2021G. Further, three onshore rigs have resumed drilling operations between January and June 2022G and another offshore rig has resumed drilling operations in April 2022G. The Group received a resumption notice for a further onshore rig (the last rig subject to suspension) which the Company is working to resume its operations by the end of September 2022G.

4.9 Evolution of Capital

The Company was established as a joint venture on 25 Thul-Qi'dah 1383H (corresponding to 7 April 1964G) and incorporated as a closed joint stock company on 26 Muharram 1389H (corresponding to 13 April 1969G) under the name "Arabian Drilling Company" and registered under Commercial Registration No. 2050002237, dated 26 Muharram 1389H (corresponding to 13 April 1969G), with a capital of two million Saudi Arabian Riyals (SAR 2,000,000), divided into twenty thousand (20,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, whereby 51.0 per cent. of such shares were held by the General Petroleum and Mineral Organization and 49.0 per cent. of the shares were held jointly by Société de Forages Pétroliers Languedocienne Forenco and Société Forex. The shares of the Company upon incorporation were distributed as follows:

Table (4.11): The Shareholders of the Company as of 26 Muharram 1389H (Corresponding to 13 April 1969G)

Shareholder	Number of Shares	Ownership Percentage
General Petroleum and Mineral Organization	10,200	51.0%
Société de Forages Pétroliers Languedocienne Forenco and Société Forex	9,800	49.0%
Total	20,000	100.0%

Source: The Company.

Subsequently, the capital of the Company was increased from two million Saudi Arabian Riyals (SAR 2,000,000) divided into twenty thousand (20,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, to twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares, with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. The ownership of the Company after the capital increase was as follows:

Table (4.12): The Shareholders of the Company as of 27 Rabi' al-Thani 1418H (Corresponding to 31 August 1997G)

Shareholder	Number of Shares	Ownership Percentage
General Petroleum and Mineral Organization	102,000	51.0%
Société de Forages Pétroliers Languedocienne Forenco and Société Forex	98,000	49.0%
Total	200,000	100.0%

Source: The Company.

The Schlumberger Group took control of the 49.0 per cent. of the shares in the Company as a result of several transactions in the course of 1968G – 1972G, when the Schlumberger Group gradually acquired control over Société Forex and Société de Forages Pétroliers Languedocienne Forenco, which eventually resulted in acquisition 100.0 per cent. of shares of Société Forex in early 1971G and upon merger with Echos Neptune effective as of 31 December 1972G, the surviving company Forex Neptune S.A. became the sole owner of 49.0 per cent. of the Company's shares. On 23June 1990G, Forex Neptune S.A. merged into Société de Prospection Electrique Schlumberger S.A., which was renamed Services Pétroliers Schlumberger S.A. and which has been holding 49.0 per cent. Shares in the Company since then.

Pursuant to the general assembly resolution dated 30 Safar 1420H (corresponding to 14 June 1999G), the Company was converted from a closed joint stock company to a limited liability company in accordance with the Royal Order No. 7/B/1058 issued on 19 Muharram 1420H (corresponding to 5 May 1999G) with a capital of twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. The ownership of the Company after the conversion to a limited liability company was as follows:

Table (4.13): The Shareholders of the Company as of 30 Safar 1420H (Corresponding to 14 June 1999G)

Shareholder	Number of Shares	Ownership Percentage
General Petroleum and Mineral Organization	102,000	51.0%
Services Pétroliers Schlumberger S.A.	98,000	49.0%
Total	200,000	100.0%

Source: The Company.

On 2 Sha'ban 1424H (corresponding to 28 September 2003G) the Chairman of General Petroleum and Mineral Organization issued a letter No. 1000/A to transfer its full one hundred and two thousand (102,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, amounting to 51.0 per cent. of the Company's capital to TAQA. The ownership of the Company after the transfer of shares was as follows:

Table (4.14): The Shareholders of the Company as of 2 Sha'ban 1424H (Corresponding to 28 September 2003G)

Shareholder	Number of Shares	Ownership Percentage
The Industrialization & Energy Services Company (TAQA)	102,000	51.0%
Services Pétroliers Schlumberger S.A.	98,000	49.0%
Total	200,000	100.0%

Source: The Company.

On 15 Rabi' al-Awwal 1431H (corresponding to 31 March 2010G), the capital of the Company was increased from twenty million Saudi Arabian Riyals (SAR 20,000,000) divided into two hundred thousand (200,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share to twenty-two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two hundred and twenty-five thousand eight hundred (225,800) shares, with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, through capitalisation of two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 2,580,000) from the shareholders' current account. As a result, the total shares of the Company held by The Industrialization & Energy Services Company (TAQA) were in the amount of one hundred fifteen thousand one hundred and fifty-eight shares (115,158) amounting to 51.0 per cent. of the Company's capital, and the total shares of the Company held by SPS were in the amount of one hundred and ten thousand six hundred and forty-two (110,642) shares amounting to 49.0 per cent. of the Company's capital.

Table (4.15): The Shareholders of the Company as of 15 Rabi' al-Awwal 1431H (Corresponding to 31 March 2010G)

Shareholder	Number of Shares	Ownership Percentage
The Industrialization & Energy Services Company (TAQA)	115,158	51.0%
Services Pétroliers Schlumberger S.A.	110,642	49.0%
Total	225,800	100.0%

Source: The Company.

On 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G), the Company was converted from a limited liability company to a closed joint stock company pursuant to the Ministry of Commerce Resolution No. 698 under the name "**Arabian Drilling Company**" with a capital of twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The ownership percentage of the Company after the conversion to a joint stock company remained unchanged and was as follows:

Table (4.16): The Shareholders of the Company as of 10 Rabi' al-Thani 1443H (Corresponding to 15 November 2021G)

Shareholder	Number of Shares	Ownership Percentage
The Industrialization & Energy Services Company (TAQA)	1,151,580	51.0%
Services Pétroliers Schlumberger S.A	1,106,420	49.0%
Total	2,258,000	100.0%

Source: The Company.

Pursuant to the shareholders' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), the Company's capital increased from twenty two million five hundred and eighty thousand Saudi Arabian Riyals (SAR 22,580,000), divided into two million and two hundred and fifty-eight thousand (2,258,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through capitalisation of an amount of six hundred seventy nine million nine hundred ninety nine thousand and two hundred Saudi Arabian Riyals (679,999,200) from the retained earnings account and ninety seven million four hundred twenty and eighty hundred Saudi Arabian Riyals (SAR 97,420,800) from the additional paid-up capital. The ownership of the Company after the capital increase was as follows:

Table (4.17): The Shareholders of the Company as of 14 Sha'ban 1443H (Corresponding to 17 March 2022G)

Shareholder	Number of Shares	Ownership Percentage
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%
Services Pétroliers Schlumberger S.A	39,200,000	49.0%
Total	80,000,000	100.0%

Source: The Company.

Pursuant to the shareholders' resolution dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), it was agreed that the Company's capital would be increased from eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to eight hundred ninety million Saudi Arabian Riyals (SAR 890,000,000) divided into eighty-nine million (89,000,000) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and offering of such newly issued nine million (9,000,000) Shares, (representing 10.11 per cent. of the Company's share capital after the increase) was approved for public subscription. The ownership of the Company before and after the Offering, reflecting also the New Shares post-Offering, are specified in Table 4.18 (Direct Ownership Structure of the Company Pre- and Post-Offering).

4.10 Current Shareholding Structure

4.10.1 Overview

The current capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000) divided into eighty million (80,000,000) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

The following table sets out the direct ownership and capital structure of the Company before and after the Offering, as well as the New Shares post-Offering:

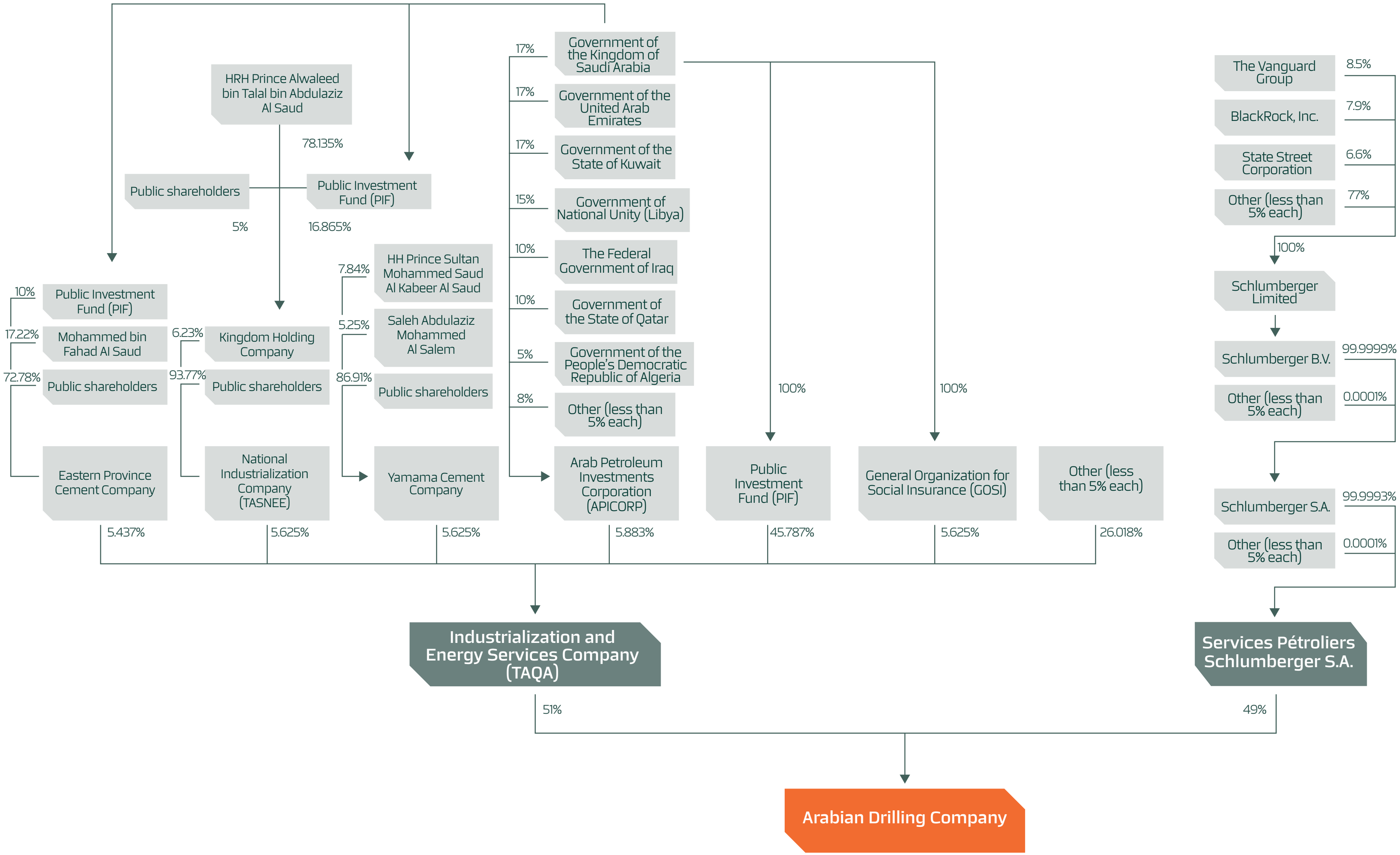
Table (4.18): Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Ownership (%)	Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Public	-	-	-	26,700,000	30.0%	267,000,000
Total	80,000,000	100.0%	800,000,000	89,000,000	100.0%	890,000,000

Source: The Company.

The following chart shows the Company's ownership structure as of the date of this Prospectus:

Exhibit (4.3): The Company's Ownership Structure as of the Date of this Prospectus



Source: The Company

The following table sets out the details of Shareholders who directly hold five per cent. or more of the Ordinary Shares in the Company as of the date of this Prospectus, as well as the New Shares post-Offering:

Table (4.19): Details of Shareholders Directly Holding Five Per Cent. or More of the Ordinary Shares in the Company as of the Date of this Prospectus

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Ownership (%)	Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Public	-	-	-	26,700,000	30.0%	267,000,000
Total	**80,000,000**	**100.0%**	**800,000,000**	**89,000,000**	**100.0%**	**890,000,000**

Source: The Company.

There are no individual Shareholders indirectly holding five per cent. or more of the Ordinary Shares in the Company as of the date of this Prospectus.

4.10.2 Overview of Substantial Current Shareholders

This Section sets out the details of substantial Shareholders currently directly holding five per cent. or more of the ordinary Shares as of the date of this Prospectus.

4.10.2.1 The Industrialization & Energy Services Company (TAQA)

TAQA is a Saudi closed joint stock company incorporated by virtue of the Ministry of Commerce Resolution No 494, dated 23 Rabi' al-Awwal 1424H (corresponding to 24 May 2003G), and registered under Commercial Registration No. 2052002576 dated 7 Shawwal 1435 (corresponding to 3 August 2014G). The company's head office and registered office is located at Prince Faisal Bin Fahad Road, P.O. Box 28589, Dhahran 11447, Kingdom of Saudi Arabia. The current capital of the company is five billion Saudi Arabian Riyals (SAR 5,000,000,000) divided into five hundred million (500,000,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

TAQA's main activities consist of drilling of oil fields, drilling of natural gas fields, services related to oil extraction except surveying services, services related to natural gas extraction except surveying services, test drilling of mineral explorations and precious metals, manufacture of motors and generators, water desalination, and geophysical, geologic and seismic surveying. As of the date of this Prospectus, TAQA operates primarily as a holding company directly holds forty million eight hundred thousand (40,800,000) Shares in the Company (representing 51.0 per cent. of its capital). There are no operating revenues or operating activities attributed to TAQA.

The following table sets out the ownership structure of TAQA as of the date of this Prospectus:

Table (4.20): Ownership Structure of TAQA as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)[1]
Public Investment Fund (PIF)	228,934,566	10	2,289,345,660	45.787%
Arab Petroleum Investments Corporation (APICORP)	29,413,194	10	294,131,940	5.883%
Yamama Cement Company	28,124,992	10	281,249,920	5.625%
National Industrialization Company (TASNEE)	28,124,992	10	281,249,920	5.625%
General Organization for Social Insurance (GOSI)	28,124,962	10	281,249,620	5.625%
Eastern Province Cement Company	27,187,495	10	271,874,950	5.437%
Saudi Aramco Development Company	22,799,320	10	227,993,200	4.560%
Tabuk Cement Company.	16,934,875	10	169,348,750	3.387%
Riyad Bank.	16,934,875	10	169,348,750	3.387%
Saudi Advanced Industries Company.	16,874,997	10	168,749,970	3.375%
Ayyan Investment Company.	6,833,363	10	68,333,630	1.367%
Bader Fahad Mohammed Al-Athel.	4,619,412	10	46,194,120	0.924%
Mohammed Fahad Mohammed Al-Athel.	4,618,412	10	46,184,120	0.924%
Turki Fahad Mohammed Al-Athel.	4,618,412	10	46,184,120	0.924%
Badria Hussain Al-Assaf.	4,288,519	10	42,885,190	0.858%
Ghada Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Felwah Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Mashael Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Rabah Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Hala Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Muneerah Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Seetah Fahad Mohammed Al-Athel.	2,309,206	10	23,092,060	0.462%
Abdullah Ghanim AlGhanim.	1,188,403	10	11,884,030	0.238%
AL Tameer Company Ltd.	1,188,403	10	11,884,030	0.238%
Yusuf Bin Ahmed Kanoo Limited Company.	1,184,250	10	11,842,500	0.237%
Al-Mojel Trading & Contracting Company.	1,184,250	10	11,842,500	0.237%
Rezayat Company Ltd.	1,184,250	10	11,842,500	0.237%
Construction and Repairing Company Ltd.	1,184,202	10	11,842,020	0.237%
Al Rajhi Holding Group.	1,184,202	10	11,842,020	0.237%
Al Khafrah Holding Company.	1,184,202	10	11,842,020	0.237%
Sader Trading & Contracting Group.	1,184,202	10	11,842,020	0.237%
AlQussie Limited Company.	1,184,202	10	11,842,020	0.237%
Fahad Abdullah Al-Mubarak.	1,184,202	10	11,842,020	0.237%
Abdulaziz Al-Abdulkader Group.	828,941	10	8,289,410	0.166%
Salehiya Trading Company.	592,100	10	5,921,000	0.118%
Abdulaziz & Saad Al-Moajil Company.	473,681	10	4,736,810	0.095%
Al-Aziziah Development Company Ltd.	473,682	10	4,736,820	0.095%
Total	**500,000,000**		**5,000,000,000**	**100.0%**

Source: The Company.

[1] The ownership percentages are rounded.

Descriptions of TAQA's shareholders directly holding five per cent. or more of its shares as of the date of this Prospectus, are set out below:

A- Public Investment Fund

The Public Investment Fund ("**PIF**") was established by Royal Decree No. M/24 dated 25 Jumada al-Akhirah 1391H (corresponding to 17 August 1971G) and is a wholly owned fund by the Government, regulated by the Law of the Public Investment Fund issued pursuant to Royal Decree No. M/92 dated 12 Sha'ban 1440H (corresponding to 17 April 2019G). PIF was established to provide financing support for projects of strategic significance to the national economy, and its role has evolved to incorporate a number of different areas. In March 2015G, the Council of Ministers issued a decree to transfer oversight of PIF to the Council of Economic and Development Affairs (CEDA). As part of this process, a new PIF Board was appointed, chaired by His Royal Highness the Crown Prince Mohammad bin Salman Al-Saud. To help achieve the Kingdom's vision of a sustainable, diversified economy, the PIF Board has taken several steps to clearly define the Public Investment Fund's vision and strategic objectives in line with Saudi Vision 2030.

The PIF is developing a portfolio of high quality domestic and international investments, diversified across sectors, geographies and asset classes. Working alongside global strategic partners and renowned investment managers, PIF acts as the Kingdom's main investment arm to deliver a strategy focused on achieving attractive financial returns and long-term value for the Kingdom.

PIF aims to be a global investment powerhouse and the world's most impactful investment fund, enabling the creation of new sectors and opportunities that will shape the future global economy, while driving the economic transformation of the Kingdom. PIF's mission is to actively invest over the long term to maximise sustainable returns, be the investment partner of choice for global opportunities and enable the economic development and diversification of the Saudi economy.

The following table sets out the ownership structure of the Public Investment Fund (PIF) as of the date of this Prospectus.

Table (4.21): Ownership Structure of the Public Investment Fund (PIF) as of the Date of this Prospectus

Shareholder	Shareholding (%)
Government of the Kingdom of Saudi Arabia	100.0%

Source: The Company.

B- Arab Petroleum Investments Corporation (APICORP)

Arab Petroleum Investments Corporation (APICORP) is a Saudi mixed closed joint stock company registered under Commercial Registration No. 2050003977 dated 11 Jumada al-Ula 1396H (corresponding to 11 May 1976G). The company's head office and registered office is located at King Faisal Street, P.O. Box 9599, Dammam 31423, Kingdom of Saudi Arabia. The current capital of the company is USD 20,000,000,000 divided into 2,000,000,000 ordinary shares with a nominal value of USD 1000 per share and paid capital of USD 1,500,000,000, subscribed capital of USD 10,000,0000,000 and callable capital of USD 8,5000,000,000.

Arab Petroleum Investments Corporation (APICORP) was officiated through an establishment agreement by the ten member countries of the Organization of Arab Petroleum Exporting Countries (OAPEC).

The following table sets out the ownership structure of Arab Petroleum Investments Corporation (APICORP) as of the date of this Prospectus:

Table (4.22): Ownership Structure of the Arab Petroleum Investments Corporation (APICORP) as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%)
Government of the Kingdom of Saudi Arabia	340,000,000	1,000	3,400,000,000	17.0%
Government of the United Arab Emirates	340,000,000	1,000	3,400,000,000	17.0%
Government of the State of Kuwait	340,000,000	1,000	3,400,000,000	17.0%
Government of National Unity (Libya)	300,000,000	1,000	3,000,000,000	15.0%
The Federal Government of Iraq	200,000,000	1,000	2,000,000,000	10.0%
Government of the State of Qatar	200,000,000	1,000	2,000,000,000	10.0%
Government of the People's Democratic Republic of Algeria	100,000,000	1,000	1,000,000,000	5.0%
Government of the Kingdom of Bahrain	60,000,000	1,000	600,000,000	3.0%
Government of the Arab Republic of Egypt	60,000,000	1,000	600,000,000	3.0%
Government of the Syrian Arab Republic	60,000,000	1,000	600,000,000	3.0%
Total	2,000,000,000		20,000,000,000	100.0%

Source: APICOR's website.

C- Yamama Saudi Cement Company

Yamama Saudi Cement Company is a Saudi public joint stock company established by Royal Decree No. 15 dated 13 Rabi' al-Awwal 1381H (corresponding to 25 August 1961G) and registered under Commercial Registration No. 1010001578 dated 18 Rabi' al-Thani 1379H (corresponding to 21 October 1959G). The company's head office and registered office is located at Airport Road, Alfalah District, P.O. Box 293, Riyadh 11411, Kingdom of Saudi Arabia. The current capital of the company is SAR 2,025,000,000 divided into 202,500,000 ordinary shares with a fully paid nominal value of SAR 10 per share.

The following table sets out the ownership structure of Yamama Saudi Cement Company as of the date of this Prospectus:

Table (4.23): Ownership Structure of Yamama Saudi Cement Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)[1]
HH Prince Sultan Mohammed Saud Al Kabeer Al Saud	15,876,000	10	158,760,000	7.84%
Saleh Abdulaziz Mohammed Al Salem	10,631,250	10	106,312,500	5.25%
Public shareholders	175,992,750	10	1,759,927,500	86.91%
Total	202,500,000	10	2,025,000,000	100.0%

Source: The Exchange.

[1] The ownership percentages have been rounded.

D- National Industrialization Company (TASNEE)

National Industrialization Company (TASNEE) is a Saudi public joint stock company incorporated by virtue of the Ministry of Commerce Resolution No. 601, dated 24 Thul-Hijjah 1404H (corresponding to 20 September 1984G), and registered under Commercial Registration No. 1010059693 dated 7 Shawwal 1405H (corresponding to 26 June 1985G). The company's head office and registered office is located at Eastern Ring Road, Qurtubah District, P.O. Box 26707, Riyadh 11496, Kingdom of Saudi Arabia. The current capital of the company is SAR 6,689,141,660 divided into 668,914,166 ordinary shares with a fully paid nominal value of SAR 10 per share.

The following table sets out the ownership structure of National Industrialization Company (TASNEE) as of the date of this Prospectus:

Table (4.24): Ownership Structure of National Industrialization Company (TASNEE) as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)[1]
Kingdom Holding Company	41,674,394	10	416,743,940	6.23%
Public shareholders	627,239,772	10	6,272,397,720	93.77%
Total	668,914,166	10	6,689,141,660	100.0%

Source: The Exchange.

[1] The ownership percentages have been rounded.

Kingdom Holding Company is a Saudi public joint stock company. The Company was previously formed as a limited liability company and operated under Commercial Registration No. 1010142022 dated 11 Muharram 1417H (corresponding to 28 May 1996G). The Ministry of Commerce and Investment approved, pursuant to resolution number 128/S dated 18 Jumada al-Ula 1428H (corresponding to 4 June 2007G), the conversion of the company into a joint stock company. The company's head office is located at 66th Floor, Kingdom Centre, P.O. Box 1, Riyadh 11321, Kingdom of Saudi Arabia. The current capital of Kingdom Holding Company is SAR 37,058,823,000 divided into 3,705,882,300 ordinary shares with a fully paid nominal value of SAR 10 per share.

The principal activities of the company and its subsidiaries are hotel management and operations, commercial services, education, investment and medical services.

The following table sets out the ownership structure of Kingdom Holding Company as of the date of this Prospectus:

Table (4.25): Ownership Structure of Kingdom Holding Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)
HRH Prince Alwaleed bin Talal bin Abdulaziz Al Saud	2,895,588,185	10	28,955,881,850	78.135%
Public Investment Fund (PIF)	625,000,000	10	6,250,000,000	16.865%
Public shareholders	185,294,115	10	1,852,941,150	5.0%
Total	3,705,882,300	10	37,058,823,000	100.0%

Source: The Exchange.

For further details regarding the Public Investment Fund (PIF), see Section 4.10.2.1(a) (*Public Investment Fund*).

E- General Organization for Social Insurance (GOSI)

General Organization for Social Insurance (GOSI) was established by virtue of the Social Insurance Law pursuant to Royal Decree No. M/22 dated 6 Ramadan 1389H (corresponding to 15 November 1969G), as amended (the "**Social Insurance Law**").

The General Organization for Social Insurance (GOSI) was established to implement the provisions of the Social Insurance Law and follow-up the process of achieving the compulsory insurance coverage, collecting contributions from employers and paying benefits for the eligible contributors or their family members. The General Organization for Social Insurance (GOSI) operates from its head office in Riyadh and has 21 field offices located in a number of regions and governorates in the Kingdom.

The following table sets out the ownership structure of the General Organization for Social Insurance (GOSI) as of the date of this Prospectus.

Table (4.26): Ownership Structure of the General Organization for Social Insurance (GOSI) as of the Date of this Prospectus

Shareholder	Shareholding (%)
Government of the Kingdom of Saudi Arabia	100.0%

Source: The Company.

F- Eastern Province Cement Company

Eastern Province Cement Company is a Saudi public joint stock company established in accordance with the royal decree No. M/11 dated 14 Rabi' Alawwal 1402H (corresponding to 9 January 1982G) and the Ministry of Commerce Resolution No. 939, dated 3 Rabi Al Thani 1403H (corresponding to 17 January 1983G), and registered under Commercial Registration No. 205001340 dated 22 Jumada al-Ula 1403H (corresponding to 7 March 1983G). The company's head office and registered office is located at King Fahad Road, Eastern Cement Towers, P.O. Box 4536, Dammam 31412, Kingdom of Saudi Arabia. The current capital of Eastern Province Cement Company is SAR 860,000,000 divided into 86,000,000 ordinary shares with a fully paid nominal value of SAR 10 per share.

The following table sets out the ownership structure of Eastern Province Cement Company as of the date of this Prospectus:

Table (4.27): Ownership Structure of Eastern Province Cement Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)[1]
HRH, Prince Mohammed bin Fahad Al Saud	14,809,200	10	148,092,000	17.22%
Public Investment Fund (PIF)	8,600,000	10	86,000,000	10.0%
Public shareholders	62,590,800	10	625,908,000	72.78%
Total	**86,000,000**	**10**	**860,000,000**	**100.0%**

Source: The Exchange.

(1) The ownership percentages have been rounded.

4.10.2.2 Services Pétroliers Schlumberger S.A.

SPS is a company incorporated under the laws of France. The company's head office and registered office is located at 42 Rue Saint Dominique, 75007 Paris, France. The current capital of the company is one-hundred sixty-nine million four-hundred forty-eight Euro (EUR 169,448,000) divided into 142,500 ordinary shares with a fully paid nominal value of EUR 1,189.10 per share.

SPS' main activities consist of providing technology and engineering services to unlock and utilise oil and gas reservoirs for future production.

As of the date of this Prospectus, SPS directly holds 1,106,420 Shares in the Company (representing 49.0 per cent. of its capital). There are no operating revenues or operating activities attributed to SPS.

The following table sets out the ownership structure of SPS as of the date of this Prospectus:

Table (4.28): Ownership Structure of SPS as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (EUR)	Overall Nominal Value (EUR)	Shareholding (%)[1]
Schlumberger S.A.	142,499	1,189.10	169,446,810.90	99.9993%
Schlumberger Investment Services B.V.	1	1,189.10	1,189.10	0.0007%
Total	**142,500**		**169,448,000**	**100.0%**

Source: The Company.

(1) The ownership percentages have been rounded.

Schlumberger S.A., a limited liability company incorporated under the laws of France, is the only shareholder of SPS holding five per cent. or more of its shares as of the date of this Prospectus. The company's head office and registered office is located at 42 Rue Saint Dominique, 75007 Paris, France. The current capital of the company is 39,777,238.96 Euro (EUR 39,777,238.96) divided into 48,508,828 ordinary shares with a fully paid nominal value of EUR 0.82 per share. As of the date of this Prospectus, Schlumberger S.A. directly holds 142,499 shares in SPS (representing approximately 100.0 per cent. of its capital).

Schlumberger S.A.'s main activities consist of holding shares or other equity instruments.

The following table sets out the ownership structure of Schlumberger S.A. as of the date of this Prospectus:

Table (4.29): Ownership Structure of Schlumberger S.A. as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (EUR)	Overall Nominal Value (EUR)	Shareholding (%)[1]
Schlumberger B.V.	48,508,826	0.82	39,777,237.32	99.9999%
Schlumberger Investment Services S.A.	1	0.82	0.82	0.00005%
Olivier Peyret	1	0.82	0.82	0.00005%
Total	48,508,828		39,777,238.96	100.0%

Source: The Company.

[1] The ownership percentages have been rounded.

A description of the Schlumberger S.A. shareholder directly holding five per cent. or more of its shares as of the date of this Prospectus is set out below:

Schlumberger B.V.

Schlumberger B.V. is a private limited liability company incorporated under the laws of the Netherlands. The company's head office and registered office is located at Parkstraat 83, the Hague, 2514 JG, the Netherlands. The current capital of the company is 21,311,290.00 Euro (EUR 21,311,290.00) divided into 46,838 ordinary shares with a fully paid nominal value of EUR 455 per share. As of the date of this Prospectus, Schlumberger B.V. directly holds 48,508,826 shares in Schlumberger S.A. (representing approximately 100.0 per cent. of its capital).

Schlumberger B.V.'s main activities consist of administrative-management and support services, holding and managing intellectual property, holding shares and other equity instruments.

The following table sets out the ownership structure of Schlumberger B.V. as of the date of this Prospectus:

Table (4.30): Ownership Structure of Schlumberger B.V. as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (EUR)	Overall Nominal Value (EUR)	Shareholding (%)
Schlumberger Limited	46,838	455	21,311,290.00	100.0%
Total	46,838		21,311,290.00	100.0%

Source: The Company.

A description of the Schlumberger B.V. shareholder directly holding five per cent. or more of its shares as of the date of this Prospectus is set out below:

Schlumberger Limited

Schlumberger Limited, was incorporated in 1956G as a corporation with limited liability, having its principal executive offices in Paris (France), Houston, (United States of America), London, (United Kingdom), and The Hague (the Netherlands). It is a public company, corporation with limited liability incorporated under the laws of the Curaçao. In 1962G, Schlumberger Limited's shares were listed on the New York Stock Exchange, and were also listed on other stock exchange markets in the following years. The current authorised share capital of Schlumberger Limited is 47,000,000.00 United States Dollars (USD 47,000,000.00) divided into 4,500,000,000 common shares and 200,000,000 preferred shares with a nominal value of USD 0.01 per share. As of the date of this Prospectus, the number of shares of common stock outstanding was 1,413,019,316. As of the date of this Prospectus, Schlumberger Limited directly holds 46,838 shares in Schlumberger B.V. (representing 100.0 per cent. of its capital).

Schlumberger Limited's main activities consist of holding shares and other equity instruments, as well as manufacturing and production activities.

The following table sets out the ownership structure of Schlumberger Limited as of the date of this Prospectus:

Table (4.31): Ownership Structure of Schlumberger Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%)[1]
The Vanguard Group[1]	119,850,812	0.01	1,198,508.12	8.5%
BlackRock, Inc.[2]	111,487,119	0.01	1,114,871.19	7.9%
State Street Corporation[3]	92,164,506	0.01	921,645.06	6.6%
Other (less than 5% each)	1,089,516,879	0.01	10,895,168.79	77.0%
Total	**1,413,019,316**		**14,130,193.16**	**100.0%**

Source: The Company.

Notes:

(1) The ownership percentages have been rounded.

(2) Based solely on a Statement on Schedule 13GIA filed on 10 February 2022G. Such filing indicates that The Vanguard Group has shared voting power with respect to 2,205,290 shares, sole investment power with respect to 114,325,999 shares and shared investment power with respect to 5,524,813 shares.

(3) Based solely on a Statement on Schedule 13G/A filed on 1 February 2022G. Such filing indicates that BlackRock, Inc. has sole voting power with respect to 96,704,481 shares and sole investment power with respect to 111,487, 119 shares.

(4) Based solely on a Statement on Schedule 13G/A filed on 14 February 2022G. Such filing indicates that State Street Corporation has shared voting power with respect to 84,453, 128 shares and shared investment power with respect to 91,556,288 shares.

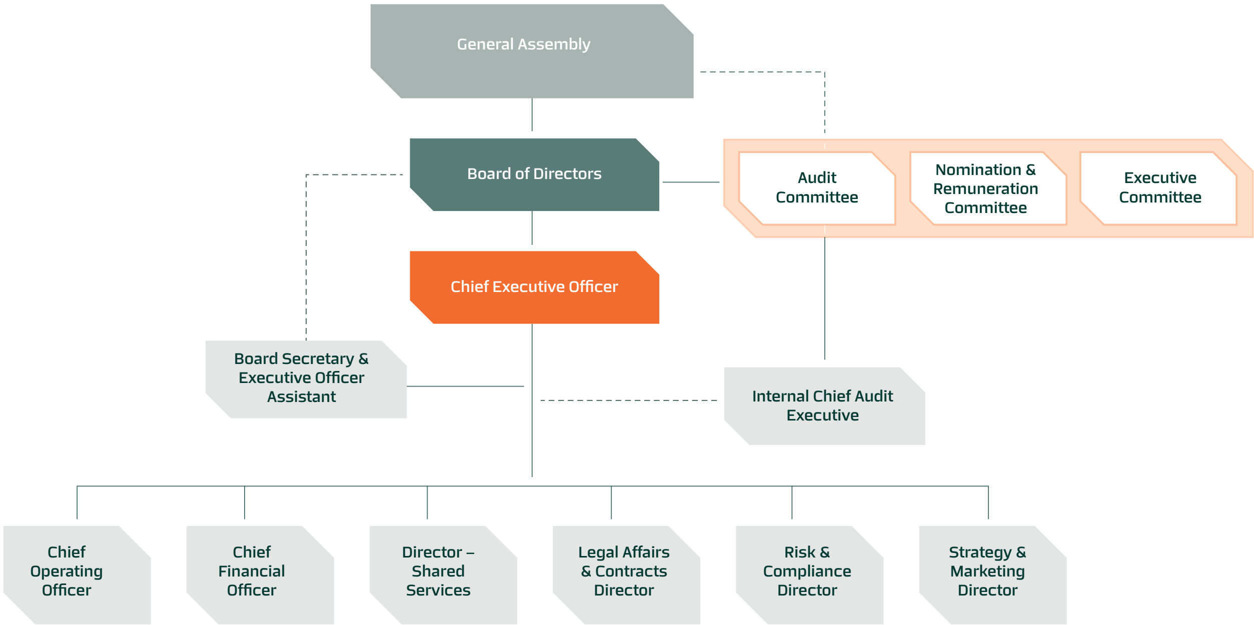
5. ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organisational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall day-today management of the Company to the Executive Management of the Company and, in particular, the Chief Executive Officer.

The following chart sets out the organisational structure of the Company:

Exhibit (5.1): Organisational Structure of the Company



Source: The Company.

The following table summarises the direct ownership structure of the Company pre- and post-Offering, reflecting also the New Shares post-Offering:

Table (5.1): Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Direct Ownership (%)	Nominal Value (SAR)	Number of Shares	Direct Ownership (%)	Nominal Value (SAR)
The Industrialization & Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger SA	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Public	-	-	-	26,700,000	30.0%	267,000,000
Total	80,000,000	100.0%	800,000,000	89,000,000	100.0%	890,000,000

Source: The Company.

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of nine Directors who are appointed by the General Assembly by means of cumulative vote (for further details, see Section 12.15 (*Summary of Bylaws*)). The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal corporate governance regulations of the Company determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of three years for each term, excluding the first term which shall be for a period of five years. As of the date of this Prospectus, the Company's Board of Directors consists of seven appointed Directors, with two vacant seats from a total nine Board seats. The Board currently has only one independent Director instead of a minimum of three independent Directors, which is in violation of the Corporate Governance Regulations. The two additional independent Directors will be elected by the Company's General Assembly after Admission (for further details, see Section 5.6 (*Corporate Governance*) and Section 15 (*Undertakings Following Admission*).

The following table sets out the Directors as of the date of this Prospectus.

Table (5.2): Company's Board of Directors

Name	Position	Nationality	Status and Independence	Direct Share Ownership		Indirect Share Ownership [1]		
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	Date of Appointment [2]
Khalid Mohammed Sedig Nouh [3]	Chairman	Saudi	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Tarek Rizk [3][4]	Vice Chairman	Canadian	Non-Executive / Non-Independent	-	-	0.00000000000021%	0.00000000000014%	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Waleed Abdullah Abdulaziz Al-Mulhim	Director	Saudi	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Vijay Kasibhatla [5]	Director	British	Non-Executive / Non-Independent	-	-	0.00000000000036%	0.0000000000023%	21 Thul-Qi'dah 1443H (corresponding to 20 June 2022G)
Samir Seth	Director	American	Non-Executive / Non-Independent	-	-	-	-	27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Jesus Lamas Rios [6]	Director	Spanish	Non-Executive / Non-Independent	-	-	0.00000000000019%	0.00000000000012%	26 Rajab 1443H (corresponding to 27 February 2022G)
Khlood Abdulaziz Mohammed Aldukheil	Director	Saudi	Non-Executive / Independent	-	-	-	-	26 Rajab 1443H (corresponding to 27 February 2022G)

Name	Position	Nationality	Status and Independence	Direct Share Ownership		Indirect Share Ownership [1]		
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	Date of Appointment [2]
Vacant [7]	Director	-	Non-Executive / Independent	-	-	-	-	-
Vacant [7]	Director	-	Non-Executive / Independent	-	-	-	-	-

Source: The Company.

(1) For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company, see Section 4.10 (*Current Shareholding Structure*).

(2) Dates listed in this table are the dates of appointment to the current positions in the Board of Directors, noting that the current term of the Board of Directors expires on 21 Jumada al-Akhirah 1448H (corresponding to 1 December 2026G). The respective biographies of the Directors in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

(3) Khalid Mohammed Sedig Nouh and Tarek Rizk were appointed as Chairman and Vice Chairman of the Board of Directors, respectively, pursuant to a resolution by the Board of Directors dated 17 Rabi' al-Thani 1443H (corresponding to 22 November 2021G).

(4) As of the date of this Prospectus, Tarek Rizk owns a total of 24,216 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. and an indirect shareholder of the Company, which indirectly owns approximately 48.99 per cent. of the Shares in the Company. As a result, Tarek Rizk indirectly owns approximately 0.000017 Shares in the Company.

(5) As of the date of this Prospectus, Vijay Kasibhatla owns a total of 46,529 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. and an indirect shareholder of the Company, which indirectly owns approximately 48.99 per cent. of the Shares in the Company. As a result, Vijay Kasibhatla indirectly owns approximately 0.000033 Shares in the Company.

(6) As of the date of this Prospectus, Jesus Lamas Rios owns a total of 21,218 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. and an indirect shareholder of the Company, which indirectly owns approximately 48.99 per cent. of the Shares in the Company. As a result, Jesus Lamas Rios indirectly owns approximately 0.000015 Shares in the Company.

(7) As for the date of this Prospectus, the Board of Directors has two vacant positions to which Directors will be elected after Admission. For more information about the undertakings regarding the appointment of Directors in the vacant positions on the Board of Directors, see Section 5.6 (*Corporate Governance*) and Section 15 (*Undertakings Following Admission*) of this Prospectus.

The Secretary of the Board of Directors is Hekmat Redha Al-Muzel, who was appointed pursuant to a resolution by the Board of Directors dated 14 Sha'ban 1443H (corresponding to 17 March 2022G) (for a summary of his biography, see Section 5.2.4.8 (*Hekmat Redha Al-Muzel, Secretary of the Board of Directors*)).

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. Further to powers set by the General Assembly in the Companies Law and its implementing regulations, as well as the Company's Bylaws, the Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Company's Executive Management.

Some powers are delegated to the Board of Directors' Committees, consisting of the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee (collectively, the "**Committees**"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters (for further details, see Section 4.7 (*Overview of Company's Departments*)). In addition, the Board of Directors has the power to form any number of committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarised as follows:

5.2.2.1 Board of Directors

With due regard to the competencies for the General Assembly, the Board of Directors shall have the widest powers in managing the Company in order to achieve its objectives inside and outside the Kingdom. According to the Company's Bylaws, the Board of Directors has been granted the widest powers in managing the Company's business. The powers and responsibilities of the Board of Directors include the following:

- participating in the overall direction and management of the Company;
- acting on behalf of the Company in an agent-like capacity;
- overseeing the Committees in line with the policies and objectives of the Company;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Internal Chief Audit Executive;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;
- supervising the main capital expenditures of the Company and acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising implementation thereof;
- monitoring the overall performance of the Company;
- reviewing and approving the organisational and functional structures of the Company;
- developing a written policy regulating conflicts of interest and remedy of any possible cases of conflict by the Directors, Executive Management and Shareholders;
- developing written policies regulating the Company's relationship with the Shareholders, including policies in connection with the indemnification of Shareholders and settlement of complaints or disputes between the Company and Shareholders;
- developing policies in connection with maintaining relationships with customers and suppliers and protecting the confidentiality of information in relation thereto;
- establishing a code of conduct for the Executive Management and employees in line with the proper professional and ethical standards;
- developing policies in connection with the Company's social contributions;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and implementation thereof;
- ensuring alignment of strategy with the Company's existing resources, risks, economic and market conditions and growth;
- entering into financial transactions on behalf of the Company;
- ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports;
- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting each year to approve the budget for the following year;
- except for the Audit Committee which is appointed by a resolution of the Ordinary General Assembly, establishing Committees of the Board of Directors with specific mandates, approving its charters and appointing its members;
- evaluating the performance of the Company's Senior Executives in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance regulations and the Company's policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the powers to be delegated to the Company's Senior Executives;

- approving new business initiatives and business closures in accordance with set plans and times;
- reviewing the performance of the Committees established by the Board of Directors;
- reviewing compliance with the authority matrix;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year;
- with assistance from the Compliance Department, reviewing the Company's corporate governance regulations periodically, evaluating whether any changes are required in light of updated regulations, changes in practices and communicating such changes to the Secretary, and processing the required changes; and
- providing recommendations to the Shareholders for the dividends to be distributed in accordance with the Company's dividend distribution policy and for any retention of profits.

5.2.2.2 Chairman

The Chairman shall assume the following responsibilities:

- promoting constructive relationships between the Board of Directors and the Senior Executives, and between the executive Directors and the non-executive Directors;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information through the appropriate means;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that the Directors disclose their business and conflict of interest in any matter discussed in Board of Directors meetings.

5.2.2.3 Secretary

The responsibilities of the Secretary include the following:

- managing all the administrative, technical and logistics relating to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- attending the meetings of the Board of Directors;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records relating to the Board of Directors and the Committees and monitoring the implementation of resolutions of the Board of Directors and the Committees;
- ensuring the flow of information within the Board of Directors and between the Board of Directors and the Executive Management;
- preparing and maintaining a register of proceedings and resolutions of the Board of Directors and the Committees and safekeeping the Company's official records;
- acting as a liaison officer with the CMA and other official entities and ensuring compliance with the Corporate Governance Regulations and other related regulations;
- with assistance from the Compliance Department, assisting in the modernisation and implementation of the Company's corporate governance;
- assisting the Nomination and Remuneration Committee in preparing and implementing the orientation programme for incoming Directors;
- preparing status reports on the resolutions of the Board of Directors and implementation thereof;
- with assistance from the Compliance Department, ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- maintaining and updating the Company's Corporate Governance Manual as per the instructions of the Board of Directors; and
- performing other tasks as delegated by the Board of Directors.

5.2.3 Service Contracts with Directors

No service or employment contracts were concluded between the Directors and the Company.

5.2.4 Biographies of the Directors and the Secretary

The experience, qualifications and the current and other positions of each of the Directors and the Secretary are set out below:

5.2.4.1 Khalid Mohammed Sedig Nouh, Chairman

Nationality:	Saudi
Age:	54 years
Position:	Company Chairman.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Bachelor's Degree in Mechanical Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1989G.
Appointment Date (Current Term):	• 27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Current Positions:	• Company Chairman, since 2019G; • Chief Executive Officer, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector, since 2019G; • Chairman, Arabian Geophysical and Surveying Company, a limited liability company, oil and energy sector, since 2020G; • Director, OPT Petroleum Technologies Co. LTD., a limited liability company, oilfield chemicals sector, since 2020G; and • Director, TAQA Well Services (formerly known as TAQA Sanjel), a single shareholder limited liability company, oilfield services and equipment sector, since 2018G.
Key Past Professional Experience:	• Chairman, TAQA Drilling Solutions, Inc., a private corporation, oilfield services and equipment sector, from 2019G to 2021G; • Chairman, Jubail Energy Services Company, a closed joint stock company, oil and energy sector, from 2019G to 2021G; • Executive Vice President – Production and Completions Group, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector, in 2019G; • Chief Technology Officer, Emirates National Oil Company LLC, a limited liability company, integrated oil and gas sector, in 2018G; • President - Middle East and Asia Pacific, Baker Hughes EHO Ltd., a corporation, oil and energy sector, from 2009G to 2016G; • Vice President - Saudi, Bahrain, Kuwait & Pakistan, Schlumberger Middle East S.A. Ltd, a private corporation registered in Panama, oilfield services sector, from 2004G to 2008G; • Director Recruiting, Training & Development, Schlumberger N.V. (Schlumberger Limited), a public corporation with limited liability registered in Curacao, oilfield services sector, from 2002G to 2003G; • Vice President Wireline, Schlumberger Middle East S.A. Ltd – United Arab Emirates, a private corporation registered in Panama, oilfield services sector, from 2000G to 2002G; • Product Development Engineer, Schlumberger N.V. (Schlumberger Limited), a public corporation with limited liability registered in Curacao, from 1998G to 2000G; • Engineer-In-Charge, Schlumberger N.V. (Schlumberger Limited), a public corporation with limited liability registered in Curacao, oilfield services sector, from 1996G to 1998G; • Wireline Field Engineer, Schlumberger Middle East S.A. Ltd, a private corporation registered in Panama, oilfield services sector, from 1994G to 1996G; and • Testing and Inspection Engineer in manufacturing, supply and transportation business line, Saudi Aramco, a public joint stock company, oil and gas sector, from 1989G to 1994G.

5.2.4.2 Tarek Rizk, Vice Chairman

Nationality:	Canadian
Age:	45 years
Position:	Company Vice Chairman.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Bachelor's Degree in Electrical Engineering, Alexandria University, Alexandria, Egypt, 2000G.
Appointment Date (Current Term):	• 27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Current Positions:	• Company Vice Chairman, since 2020G; and • President - Middle East and North Africa of Schlumberger Group, Schlumberger Global Support Centre Limited, a private company limited by shares registered in Dubai, United Arab Emirates, oilfield services sector, since 2020G.
Key Past Professional Experience:	• Drilling and Measurement President of Schlumberger, Schlumberger Oilfield UK Plc, a public limited company registered in England and Wales, oilfield services sector, from 2018G to 2020G; • Human Resources Director – Drilling Group of Schlumberger, Schlumberger Oilfield UK Plc, a public limited company registered in England and Wales, United Kingdom, oilfield services sector, from 2017G to 2018G; • Wireline Vice President – Middle East and Asia of Schlumberger, Global Support Centre Limited, a private company limited by shares registered in Dubai, United Arab Emirates, oil and gas sector, from 2016G to 2017G; • Wireline Vice President – Russia and Caspian Region of Schlumberger, Schlumberger Logelco Inc., a private corporation registered in Panama, oil and gas sector, from 2015G to 2016G; and • Operation Manager - Schlumberger Norway and Denmark, Schlumberger Norge AS, a private limited company registered in the Kingdom of Norway, oilfield services sector, from 2012G to 2015G.

5.2.4.3 Waleed Abdullah Abdulaziz Al-Mulhim, Director

Nationality:	Saudi
Age:	55 years
Position	Company Director.
Capacity	Non-Executive / Non- Independent
Academic and Professional Qualifications:	• Bachelor's Degree in Petroleum Engineering, University of Southern California, California, United States of America, 1989G; and • Master's Degree in Petroleum Engineering, Stanford University, Stanford, California, United States of America, 1995G.
Appointment Date (Current Term):	• 27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Current Positions:	• Company Director, since 2020G; and • Executive Director - Petroleum Engineering, Saudi Aramco, a public joint stock company, oil and gas sector, since 2021G.
Key Past Professional Experience:	• Chief Petroleum Engineer - Petroleum Engineering, Saudi Aramco, a public joint stock company, oil and gas sector, from 2018G to 2021G; • Manager, Upstream Development Strategy and Reserves Department, Saudi Aramco, a public joint stock company, oil and gas sector, from 2016G to 2018G; and • Manager of EXPEC Advanced Research Centre (EXPEC ARC), Saudi Aramco, a public joint stock company, oil and gas sector, from 2015G to 2018G.

5.2.4.4 Vijay Kasibhatla, Director

Nationality:	British
Age:	59 years
Position:	Company Director.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Bachelor's Degree in Chemical Engineering, Andhra University, Andhra Pradesh, Republic of India, 1984G; • Master's Degree in Chemical Engineering, University of Kentucky, Kentucky State, USA, 1986G; and • Master of Business Administration, London Business School, London, United Kingdom, 1995G.
Appointment Date (Current Term):	• 21 Thul-Qi'dah 1443H (corresponding to 20 June 2022G)
Current Positions:	• Company Director, since 2022G; and • Member of the Board, Sherwater Geo Services Holding Company, a private limited liability company registered in the Kingdom of Norway, working in the geophysical services sector, from 2017G; and • Director of Mergers and Acquisitions, Schlumberger N.V. (Schlumberger Limited), a public corporation with limited liability registered in Curacao, oilfield services sector, since 2013G.
Key Past Professional Experience:	• Financial and Commercial Director of the Production Management Department, Schlumberger NV (Schlumberger Limited), a public limited liability company registered in Curaçao, operating in the oilfield services sector, from 2011G to 2012G; and; • Financial Controller in the Integrated Projects Division, Schlumberger NV (Schlumberger Limited), a public limited liability company registered in Curaçao, operating in the oilfield services sector, from 2008G to 2011G.

5.2.4.5 Samir Seth, Director

Nationality:	American
Age:	54 years
Position:	Company Director.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Bachelor's Degree in Commerce, St. Xavier College, Kolkata, Republic of India, 1990G; and • Member of the Institute of Chartered Accountants of India, Kolkata, Republic of India, 1990G.
Appointment Date (Current Term):	• 27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Current Positions:	• Company Director, since 2020G; • Executive Vice President of Corporate Finance and Planning, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector, since 2019G; • Director, TAQA Drilling Solutions, Inc., a private corporation, oilfield services and equipment sector, since 2022G; • Director, TAQA Technologies Holdings B.V., a private limited company registered in the Netherlands, oilfield services and equipment sector, since 2022G; • Director, Tendeka B.V., a private limited company registered in the Netherlands, oilfield services and equipment sector, since 2022G; • Director, Fracturing and Energy Oil Service Company, a limited liability company, oilfield services and equipment sector, since 2022G; and

Key Past Professional Experience:	• Director, TAQA Al Rushaid for Marine Works Limited, a limited liability company, manufacture, operation and maintenance of oil, gas, and marine works facilities sector, from 2020G to 2022G. • Vice President of Corporate Development, Baker Hughes Inc., a limited liability corporation registered in Delaware, industrial services sector, from 2016G to 2017G; • Vice President of Finance for MENA region, International Professional Resources Limited (a wholly owned subsidiary of Baker Hughes Inc.), a limited liability corporation registered in DIFC, United Arab Emirates, oilfield services sector, from 2012G to 2016G; • Treasurer - Western Hemisphere, Schlumberger Technology Corporation, a private corporation registered in Texas, United States of America, oilfield services sector, from 2008G to 2012G; • Financial Controller - Pressure Pumping Product Line, Schlumberger Technology Corporation, a private corporation registered in Texas, United States of America, oilfield services sector, from 2004G to 2008G; • Financial Controller, Canada Geomarket, Schlumberger Canada Limited, a private corporation registered in Alberta, Canada, oilfield services sector, from 2003G to 2004G; • Financial Controller and Head of India Geomarket, Schlumberger Asia Services Limited, a company limited by shares registered in Hong Kong, oilfield services sector, from 2001G to 2003G; • Tax Manager Nigeria, Schlumberger (Nigeria) Limited, a private company limited by shares registered in Lagos, Nigeria, oilfield services sector, from 1999G to 2000G; • Business Analyst & Country Controller, Schlumberger Middle East S.A., a closed joint stock company registered in Panama, oilfield services sector, from 1995G to 1998G; • Analyst, Schlumberger Middle East S.A., a private corporation registered in Panama, oilfield services sector, from 1993G to 1994G; • Accountant, American Express Private Ltd, a private company registered in India, banking sector, in 1992G; and • Accountant, Ernst and Young, a limited liability partnership registered in India, financial advisory services sector, from 1988G to 1991G.

5.2.4.6 Jesus Lamas Rios, Director

Nationality:	Spanish
Age:	48 years
Position:	Company Director.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Bachelor's Degree of Science in Mechanical Engineering, Simon Bolivar University, Miranda State, Venezuela, 1995G; and • Master's Degree of Science in Oil and Gas Industry Management, Heriot-Watt University, Edinburgh, United Kingdom, 2010G.
Appointment Date (Current Term):	• 26 Rajab 1443H (corresponding to 27 February 2022G)
Current Positions:	• Company Director, since 2022G; and • President of Well Construction Division, Schlumberger Technology Corporation, a private corporation registered in Texas, United States of America, oilfield services sector, since 2019G.
Key Past Professional Experience:	• President of Rig Performance Technologies, Schlumberger Technology Corporation, a private corporation registered in Texas, United States of America, oilfield services sector, from 2019G to 2020G; • GeoMarket Manager of Mexico and Central America, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2016G to 2019G; • Vice President of Drilling and Measurements Segment for Latin and South America, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2013G to 2016G; • Personnel Manager for Latin and South America, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2012G to 2013G; and • Operations Manager of Drilling and Measurements Segment for China, Japan, Korea and Taiwan GeoMarket, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2009G to 2011G.

5.2.4.7 Khlood Abdulaziz Mohammed Aldukheil, Director

Nationality:	Saudi
Age:	50 years
Position:	Company Director.
Capacity:	Non-Executive / Independent
Academic and Professional Qualifications:	• Bachelor's Degree in International Finance and Commerce, Georgetown University, Washington D.C, United States of America, 1994G; • Master's Degree of Business and Administration in Finance, American University, Washington D.C, United States of America, 1997G; • Chartered Financial Analyst (CFA), CFA Institute, Charlottesville, Virginia, United States of America, 2003G; • General Securities Qualification Certificate (CME-1), Capital Market Authority, Riyadh, Kingdom of Saudi Arabia, 2011G; • Compliance, Anti-Money Laundering and Counter-Terrorist Financing Certificate (CME-2), Capital Market Authority, Riyadh, Kingdom of Saudi Arabia, 2012G; and • Accredited Valuer Certificate (TAQEEM), the Saudi Authority for Accredited Valuers, Riyadh, Kingdom of Saudi Arabia, 2020G.
Appointment Date (Current Term):	• 26 Rajab 1443H (corresponding to 27 February 2022G)
Current Positions:	• Company Director, since 2022G; • Member of the Board, Ta'ameed Fintech, limited liability company, financial services sector, since 2021G; • Chief Executive Officer, Erteqa Financial Company, limited liability company, financial services sector, since 2020G; • Member of the Board, Member of the Investment Committee and Chairman of the Audit Committee, Riyadh Chamber of Commerce & Industry, a Saudi governmental entity, since 2020G; • Chairman of the National Committee for the Financial Sector and Insurance, the Federation of Saudi Chambers, a Saudi governmental entity, since 2020G; • Chairman of the Financial Sector Committee, Riyadh Chamber of Commerce & Industry, a Saudi governmental entity, since 2020G; • Chairman of the Women Council, the Federation of Saudi Chambers, a Saudi governmental entity, since 2020G; • Member of the Board, the Saudi CFA Society, limited liability company, business administration sector, since 2020G; • Member of the Audit Committee, King Salman Park, a Saudi governmental entity, since 2020G; • Member of the Audit Committee, Sports Boulevard, a Saudi governmental entity, since 2020G; • Member of the Audit Committee, Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO), a public joint stock company, medical and pharmaceutical sector, since 2019G; • Member of the Board, Safa Industrial Company, limited liability company, industrial sector, since 2018G; and • Member of the Audit Committee, Riyadh Cables Group, a closed joint stock company, industrial sector, since 2018G.

Key Past Professional Experience:	• Member of the Audit Committee, Saudi Pension Fund, a Saudi governmental entity, financial sector, from 2020G to 2021G; • Member of the Financial Intuitions Committee, Capital Market Authority, a Saudi governmental entity, from 2019G to 2021G; • Member of the Board and Chairman of the Audit Committee, the Technical and Vocational Training Centre, a Saudi governmental entity, educational sector, from 2018G to 2021G; • Member of the Board, Simah Rating Agency, a limited liability company, financial sector, from 2017G to 2021G; • Chairman of the Audit Committee, Saudi ORIX Leasing Company, a closed joint stock company, financing sector, from 2016G to 2021G; • Member of the Executive Committee and Member of the Finance and Infrastructure Task Force, B20 Saudi Arabia, an international business summit, in 2020G; • Chairman of the National Committee for Statistics, Federation of Saudi Chambers, a Saudi governmental entity, from 2017G to 2020G; • Managing Director, Aldukheil Financial Group, a closed joint stock company, financial services sector, from 2006G to 2020G; • Member of the Risk Committee for Exchange Members, Saudi Tadawul Group, a public joint stock company, financial sector, in 2008G; • Assistant General Manager, Samba Financial Group (currently merged with The Saudi National Bank), a public joint stock company, banking and financial services sector, from 1998G to 2006G; • Credit Analyst, the Saudi British Bank (SABB), a public joint stock company, banking and financial services sector, from 1997G to 1998G; and • Assistant to the Director, International Finance Corporation (member of the World Bank Group), an international financial intuition, investment and advisory services sector, from 1994G to 1995G.

5.2.4.8 Hekmat Redha Al-Muzel, Secretary of the Board of Directors

Nationality:	Saudi
Age:	42 years
Position	Secretary of the Board of Directors.
Academic and Professional Qualifications:	• Higher Diploma in Administration and Executive Assistance, Institute of Public Administration (IPA), Dammam, Kingdom of Saudi Arabia, 2001G.
Appointment Date (Current Term):	• 14 Sha'ban 1443H (corresponding to 17 March 2022G)
Current Positions:	• Secretary of the Company's Board of Directors, since 2012G; • Executive Office Assistant of the Company, since 2001G; and • Facilities Manager of the Company, since 2021G.

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimise the management of the Company and to meet relevant regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee (which are submitted to the Board of Directors for review).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

5.3.1.1 Responsibilities of the Audit Committee

The Audit Committee assists the Board with oversight of: (i) the integrity, effectiveness and accuracy of the Company's financial statements, reports, and internal control system; (ii) the Company's compliance with legal and regulatory requirements, and the rules of professional conduct; (iii) the qualifications and independence of the Company's external auditors; (iv) the performance of the Company's internal audit and external auditors; and (v) evaluating and supervising the risk management system in the Company and the relevant procedures in this regard. The responsibilities of the Audit Committee further include the following:

A- Financial Statements and Reports:

- Review significant issues related to accounting and reporting matters, including complex or unusual transactions, critical discretionary areas, and emerging professional and organisational announcements, and assess their impact on the financial statements;
- review material or unusual issues included in the Company's financial statements and reports, and review issues raised by the Chief Financial Officer (or his/her delegate), compliance officer, or the external auditor;
- review the results of the external audit, along with the management and the external auditor, including any difficulties encountered;
- study the Company's interim and annual financial statements, express an opinion thereon, and make recommendations in this regard to the Board prior to their submission to the Board to ensure the validity, integrity and transparency thereof; and consider whether they are complete and consistent with information that the members are aware of and whether they reflect appropriate accounting principles and policies;
- review other sections of the annual report and related organisational files before they are issued, and consider the accuracy and completeness of the information;
- review all issues required to be referred to the Committee in light of the generally accepted auditing standards, in cooperation with the management and the external auditor;
- consider the accounting policies followed by the Company, express an opinion thereon and make recommendations to the Board in respect of the same;
- identify how the management develops preliminary financial information, and the nature and extent of involvement of the Internal Audit Department and the external auditor;
- provide a technical opinion, at the request of the Board, regarding whether the Board's report and Company's financial statements are fair, balanced and understandable and contain information that enables the Shareholders and investors to assess the Company's financial position, performance, business model and strategy; and
- examine accounting estimates with regard to significant matters contained in the Company's financial statements and reports.

B- Internal Control:

- Consider and review the Company's internal and financial control and risk management systems and the effectiveness thereof, including IT security and controls; and
- understand the scope of the internal audit of financial reports by the Internal Audit Department, and obtain reports that include important findings and recommendations, and management's observations and comments.

C- Internal Audit:

- Adopt the internal audit charter;
- review the performance and activities of the Head of the Internal Audit Department, and ensure that there are no unjustified restrictions on his/her activities, and make recommendations to the Board with respect to his/her appointment, dismissal, annual remuneration and salary;
- oversee and supervise the performance and activities of the Company's Internal Audit Department to verify the availability of the necessary resources and the effectiveness thereof in performing the tasks and duties assigned thereto in accordance with appropriate professional standards;
- approve the annual audit plan and all changes to the plan, and review the performance and activities of the Internal Audit Department compared to the plan set therefor;
- work with the Head of the Internal Audit Department to review the internal audit budget, resource plan, activities, and organisational structure for the internal audit duties;
- review the Company's internal audit procedures;
- consider internal audit reports, and follow up on the implementation of corrective measures with regard to the observations contained therein; and
- meet separately with the Head of the Internal Audit Department on a regular basis to discuss any matters that the Committee or Internal Audit Department deem necessary to be discussed in private sessions.

D- External Auditors:

- Review the external auditors' proposed audit scope, approach and plan, and provide an opinion thereon, including coordinating audit efforts with internal audit activities;
- recommend to the Board to nominate, dismiss, and determine the fees of the external auditor, and review the scope of the work thereof and the terms of contract with the same, provided that the recommendation takes into account the independence of the external auditor;
- review the performance of the external auditor, supervise the activities thereof, and approve any activity outside the scope of audit work assigned thereto during the performance of the duties thereof;
- study the external auditor's report, observations and reservations on the Company's financial statements, and follow up on the relevant actions;
- verify the independence, objectivity and fairness of the external auditor, and the effectiveness of auditing, taking into account the relevant rules and standards, and make recommendations to the Board in this regard;
- verify that the external auditor is not providing technical or management services outside the scope of the audit work, and make recommendations to the Board in this regard;
- meet separately with the external auditor on a regular basis to discuss any matters that the Committee or Auditor deems necessary to be discussed in private sessions;
- respond to the inquiries of the external auditor; and
- settle any disputes that arise between the management and the external auditor regarding financial reporting.

E- Compliance:

- Verify and monitor the Company's compliance with the applicable laws, regulations, policies and instructions;
- review the effectiveness of the control system, ensure compliance with applicable laws and regulations, the results of investigations conducted by management, and follow up on any non-compliance (including taking disciplinary action);
- review reports and results of investigations conducted by competent auditors or supervisors in addition to any remarks given by the external auditor or internal auditors and verify that the Company is taking the required measures in this regard;
- review the process of communicating the rules of professional conduct to the Company's employees and observe the compliance with the same;
- review the contracts and transactions to be entered into by the Company with any related party, and make recommendations to the Board in relation to the same;
- ensure that appropriate arrangements are put in place and implemented to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters or any cases of non-compliance through a reasonable mechanism; and
- obtain regular updates from the Company's management and legal advisor regarding compliance issues.

F- Reporting:

- Submit periodic reports to the Board regarding the Committee's activities and issues identified and provide recommendations to the Board that it deems appropriate in any matter within its competencies, as necessary;
- provide an open avenue of communication amongst the Internal Audit Management, the external auditor and the Board;
- provide an annual report to Shareholders describing the Committee's formation, duties and performance of such duties in addition to such other information as may be required by applicable rules, including approving services outside the auditing scope;
- review any other reports on the Committee's responsibilities, issued by the Company;
- prepare an annual written report assessing the adequacy and efficiency of the Company's internal control, financial and risk management systems - including information technology security and controls - and its recommendations in respect thereof, as well as the tasks undertaken by the Committee within its competence. Copies of the report should be made available for collection by the Company's Shareholders at the Company's head office and published on the website of the Company and the Exchange at the time of publishing the invitation to convene the relevant annual General Assembly meeting, and at least ten days prior to such General Assembly meeting. A copy of the report should be read out at that meeting; and
- prepare a written report to the Board regarding the Company's internal audit procedures and the Committee's recommendations in this regard.

G- Miscellaneous:

- Perform such other activities relating to the Audit Committee Charter, as requested by the Board;
- institute and oversee special investigations as needed;
- review and assess the adequacy and propriety of the Audit Committee Charter on a yearly basis, provide recommendation to the Board in this regard, and guarantee that necessary disclosures are made according to relevant laws and regulations;
- confirm, on a yearly basis, all responsibilities set forth in the Audit Committee Charter are performed; and
- regularly assess the performance of the Committee and every member thereof.

5.3.1.2 Audit Committee Members

The Audit Committee shall be formed by a resolution of the Ordinary General Assembly resolution and consist of at least three and no more than five members from among the Shareholders or others; provided that (i) at least one member is an Independent Director; (ii) no Executive Director is a member or Chairman; (iii) the number of members is not less than three members and not more than five members; (iv) one of its members is specialised in finance and accounting; and (v) a person who worked during the two previous years in the executive or financial management of the Company or who has audited the Company's accounts may not be a member of the Audit Committee. The Audit Committee convenes periodically; provided that at least four meetings are held during the Company's financial year. The internal auditor and the external auditor may call for a meeting with the Audit Committee at any time as may be necessary.

The Audit Committee was formed, and its members were appointed by a General Assembly resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), for a term of three years. The Audit Committee comprises the following members as of the date of this Prospectus:

Table (5.3): Audit Committee Members

Name	Role
Khlood Abdulaziz Mohammed Aldukheil	Chairman
Vijay Kasibhatla	Member
Moustafa Ahmed Jamal Abdullatif	Member

Source: The Company.

5.3.1.3 Biographies of the Members of the Audit Committee

The experience, qualifications and the current and other positions of the members of the Audit Committee are set out below:

A- Khlood Abdulaziz Mohammed Aldukheil, Audit Committee Chairman

See Section 5.2.4.7 (*Khlood Abdulaziz Mohammed Aldukheil, Director*) for further details regarding experience, qualifications and the current and previous positions of Khlood Abdulaziz Mohammed Aldukheil.

B- Vijay Kasibhatla, Audit Committee Member

See Section 5.2.4.4 (*Vijay Kasibhatla, Director*) for further details regarding experience, qualifications and the current and previous positions of Vijay Kasibhatla.

C- Moustafa Ahmed Jamal Abdullatif, Audit Committee Member

Nationality:	Saudi
Age:	56 years
Position:	Company Audit Committee member.
Academic and Professional Qualifications:	• Bachelor's Degree in Architecture and Planning, King Faisal University, Dhahran, Kingdom of Saudi Arabia, 1989G.
Appointment Date (Current Term):	• 27 Rabi' al-Awwal 1443H (corresponding to 2 November 2021G)
Current Positions:	• Company Audit Committee member, since 2021G; • Management Consultant – GRC Functions, Bakhsh Trade & Finance Consulting, a sole proprietorship, financial advisory services sector, since 2020G; and • Audit Committee member, Allianz Saudi Fransi, a public joint stock company, insurance sector, since 2019G.
Key Past Professional Experience:	• Head of Governance, Risk and Compliance, Real Estate Development Fund (The Housing Bank), a Saudi governmental agency, from 2015G to 2019G; • Head of Compliance, Corporate Governance and Anti-Financial Crimes, Bank Albilad, a public joint stock company, banking sector, from 2012G to 2015G; • Audit Program Director, Samba Financial Group, a public joint stock company, banking sector, from 2011G to 2012G; • Chief Compliance Officer, Global Investment House, a closed joint stock company, investment banking sector, from 2008G to 2011G; • Chief Compliance Officer, Banque Saudi Fransi, a public joint stock company, banking sector, from 2007G to 2008G; • Head of Compliance, Investment Management Group, Banque Saudi Fransi, a public joint stock company, banking sector, from 1998G to 2007G; • Lead Auditor, Banque Saudi Fransi, a public joint stock company, banking sector, from 1996G to 1998G; and • Senior Auditor, Saudi American Bank, an Affiliate of Citibank, a public joint stock company, banking sector, from 1994G to 1995G.

5.3.2 Nomination and Remuneration Committee

5.3.2.1 Responsibilities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration of Directors and Senior Executives. The duties and responsibilities of the Nomination and Remuneration Committee are mainly to: (i) lead the process of nominating and evaluating the Directors, Senior Executives and employees of the Company; (ii) ensure the effectiveness and soundness of the Company's Board and Executive Management structures and the relevant internal policies and procedures; and (iii) assist the Board in the review and determination of the remuneration of Directors, members of the committees of the Board, Senior Executives and employees of the Company. The responsibilities of the Nomination and Remuneration Committee further include the following:

A- Nomination

- Prepare, recommend to the Board, and oversee policies and criteria in relation to the appointment of Directors and members of the Company's Executive Management (the "**Nomination Policy**");
- ensure that all necessary and appropriate inquiries are made into the backgrounds and qualifications of such candidates before recommending them to the Board for nomination;
- recommend to the Board candidates for nomination (or re-nomination) to the Board in accordance with the applicable law and the Nomination and Remuneration Committee Charter;
- at least annually review, assess, and recommend to the Board the skills, qualifications, and credentials required for membership in the Board and the Company's Executive Management, including setting the time commitment required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Company's Executive Management;
- verify on an annual basis the independence of each independent Director in accordance with the applicable law and the absence of any conflict of interest, in case a Director also serves as a member of the board of directors of another company;

- periodically review and make recommendations to the Board concerning the succession plans for Directors and Senior Executives, taking into account the challenges and opportunities facing the Company, as well as the skills and expertise required in the future;
- evaluate and recommend to the Board potential candidates for Executive Management positions in the Company and, in particular, assist the Board in selecting, developing, and evaluating potential candidates for the position of Chief Executive Officer; and
- develop, and periodically review, procedures for filling vacancies in the Board and the Company's Executive Management and make recommendations to the Board regarding the selection and approval of candidates to fill such vacancies.

B- Review and Assessment

- Regularly review the structure, size, composition, strengths, and weaknesses of the Board (including the skills, knowledge, and experience) and the Company's Executive Management and make appropriate recommendations to the Board that are compatible with the interests of the Company;
- develop and oversee an orientation programme for new Directors; and
- develop, recommend and oversee an annual self-evaluation process for the Directors and certain Senior Executives of the Company.

C- Remuneration

- Prepare, recommend and oversee the implementation and disclosure of a policy for the remuneration of Directors, Senior Executives, and members of the Committees of the Board (the "**Remuneration Policy**"), which shall be presented before the General Assembly for approval;
- prepare an annual report on the remuneration and other payments (in cash or in kind) received by the Directors, Executive Management and members of the Board committees, and the basis for the remuneration received with respect to the Remuneration Policy (including a description of any significant departures from the Remuneration Policy) (the "**Annual Report on Remuneration**"), for presentation before the Board for consideration;
- regularly review and assess the effectiveness and appropriateness of the Remuneration Policy and make recommendations to the Board in relation to the same;
- recommend to the Board the form and amount of remuneration to be granted to the Directors, Senior Executives of the Company, and members of the Board committees, in accordance with the approved Remuneration Policy;
- review and make recommendations to the Board regarding the Company's incentive plans for Directors and employees, including in relation to adopting, amending, and terminating such plans;
- prepare and oversee a career progression framework for the Company's employees detailing, among other things, the general range of professional ranks and levels, salary scale, benefits and allowances (in cash or in kind) for the relevant professional rank and level; and
- prepare all disclosures required under the policies of the Company and any laws, regulations, or rules to which the Company is subject, including, at a minimum, disclosures relating to the Remuneration Policy and the Annual Report on Remuneration, and disclosures regarding remuneration in the annual report of the Board.

D- Miscellaneous

- Perform such other related activities as requested by the Board.

5.3.2.2 Nomination and Remuneration Committee Members

The Nomination and Remuneration Committee consists of at least three and no more than five members. Members of the Nomination and Remuneration Committee must not be executive members of the Board of Directors; provided that there shall be at least one Independent Director among them. The Chairman of the Nomination and Remuneration Committee must be an Independent Director. The Nomination and Remuneration Committee shall convene periodically at least once every six months. Additional meetings may be held from time to time at the request of the Board or any of the members.

The Nomination and Remuneration Committee was formed, and its members were appointed pursuant to the Board of Directors' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), for a term of three years. The Nomination and Remuneration Committee comprises the following members as of the date of this Prospectus:

Table (5.4): Nomination and Remuneration Committee Members

Name	Role
Khlood Abdulaziz Mohammed Aldukheil	Chairman
Jesus Lamas Rios	Member
Moutaz Mohammed Othman Mashhour	Member

Source: The Company.

5.3.2.3 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and the current and other positions of the members of the Nomination and Remuneration Committee are set out below:

A- Khlood Abdulaziz Mohammed Aldukheil, Chairman of the Nomination and Remuneration Committee

See Section 5.2.4.7 (*Khlood Abdulaziz Mohammed Aldukheil, Director*) for further details regarding experience, qualifications and the current and previous positions of Khlood Abdulaziz Mohammed Aldukheil.

B- Jesus Lamas Rios, Member of the Nomination and Remuneration Committee

See Section 5.2.4.6 (*Jesus Lamas Rios, Director*) for further details regarding experience, qualifications and the current and previous positions of Jesus Lamas Rios.

C- Moutaz Mohammed Othman Mashhour, Member of the Nomination and Remuneration Committee

Nationality:	Saudi
Age:	55 years
Position:	Company Nomination and Remuneration Committee member.
Capacity:	Non-Executive / Non-Independent
Academic and Professional Qualifications:	• Executive Education, Georgetown University, School of Foreign Affairs, Washington, District of Columbia, United States of America, 2011G; • Leadership Development Seminar, Rice University Executive Education, Houston, Texas, United States of America, 2010G; • Columbia Senior Executive Leadership Program, Columbia University, New York, United States of America, 2009G; • Performance Improvement Consultant Certification, International Society for Performance Improvement, Washington, District of Columbia, United States of America, 2002G; • Human Resources Development Certification University of Minnesota, Saint Paul, Minnesota, United States of America, 2001G; • Master's Degree in Business Administration, King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 1993G; and • Bachelor's Degree in Industrial Management, King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 1989G.
Appointment Date (Current Term):	• 14 Sha'ban 1443H (corresponding to 17 March 2022G)
Current Positions:	• Company Nomination and Remuneration Committee member, since 2022G; • Executive Vice President – Shared Services, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector, since 2020G; • Nomination and Remuneration Committee Secretary, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector since 2020G; • Nomination and Remuneration Committee Member, Arabian Geophysical and Surveying Company, a limited liability company, oil and energy sector, since 2021G; • Director, TAQA Drilling Solutions, Inc., a private corporation, oilfield services and equipment sector, since 2022G; • Director, TAQA Well Services, a single shareholder limited liability company, oilfield services and equipment sector, since 2022G; and • Director, TAQA FRAC, a single shareholder limited liability company, oilfield services and equipment sector, since 2022G.

Key Past Professional Experience:	• Director, Jubail Energy Services Company, a closed joint stock company, oil and energy sector, from 2020G to 2021G; • Chief Human Resources Officer, Johns Hopkins Aramco Healthcare, a limited liability company, healthcare sector, from 2016G to 2020G; • Vice President - Industrial Relations, Yanbu Aramco Sinopec Refining Company Ltd. (YASREF), a limited liability company, oil and gas production sector, from 2013G to 2016G; • Secretary of the Compensation Committee, Yanbu Aramco Sinopec Refining Company Ltd. (YASREF), a limited liability company, oil and gas production sector, from 2013G to 2016G; • Manager of Industrial Relations Department, Aramco Services Company (ASC), a corporation registered in Delaware, United States of America, oil and gas sector, from 2010G to 2013G; • Corporate Advisor - Human Resources Policies and Planning Department, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2009G to 2010G; • Chairman of Out of Policy Committee - Human Resources Policies and Planning Department, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2009G to 2010G; • Director Career Development Department - Training and Career Development, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2008G to 2009G; • Interim Vice President Human Resources (seconded from Saudi Arabian Oil Company), King Abdullah University of Science and Technology (KAUST), a private university and research centre, from 2007G to 2008G; • Head of the Leadership Development Division (Leadership Centre) - Training and Career Development, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2005G to 2007G; • Administrator Competencies Development Division - Training and Career Development, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2002G to 2005G; • Performance Improvement Consultant - Employee Relations and Training, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 2000G to 2001G; • Supervisor Competencies Development & Consultation Unit - Training and Career Development, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 1999G to 2000G; • Supervisor Saudi Academic Unit, Aramco Services Company, a corporation registered in Delaware, United States of America, oil and gas sector, from 1998G until 1999G; • Industrial Relations Advisor, Aramco Services Company, a corporation registered in Delaware, United States of America, oil and gas sector, from 1996G until 1998G; • Career Counsellor - Career Development Department, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 1994G until 1996G; • Advanced Industrial Training Centre Teacher -Academic Training Department, Saudi Arabian Oil Company, a public joint stock company, oil and gas sector, from 1990G until 1994G; and • Delivery Control Coordinator, Corporate Planning Department, Eastern Petrochemical Company - Sharq, a public joint stock company, oil and gas sector, from 1989G until 1989G.

5.3.3 Executive Committee

5.3.3.1 Responsibilities of the Executive Committee

The Executive Committee shall have the right to exercise all the authorities delegated to it by the Board and shall supplement the role of the Board within the set limits in the interim period between meetings of the Board. The exercise of such authorities by the Committee shall not prejudice the authority reserved for the Board. The responsibilities of the Executive Committee further include the following:

A- Review and Assessment

- Review and provide recommendations on the following matters where applicable:

    i- annual operating plans, and capital expenditure budgets and any material changes to them;
    ii- interim and annual declaration and distribution of dividends;
    iii- changes in the Company's share capital and/or equity;
    iv- approval of the Company's investor relations website framework and content (through which the Company communicates with its shareholders);
    v- the Company's investment plans and strategies, including expansion into new business sectors or new geographic areas;
    vi- any decision to cease to operate all, or any material part, of the Company's business operations;
    vii- joint-ventures, acquisitions and divestments in line with long term business, financial and operating plans;
    viii- financing agreements and related security arrangements; and
    ix- changes in delegation levels as specified in the Company's authority matrix.

B- Miscellaneous:

- Perform such other tasks as delegated to it by the Board of Directors from time-to-time.

5.3.3.2 Executive Committee Members

The Executive Committee consists of at least three and no more than five members. Members of the Executive Committee may be executive and/or non-executive members of the Board of Directors. The Executive Committee shall convene periodically at least four times every financial year. Additional meetings may be held from time to time at the request of the chairman of the Executive Committee or any of its members.

The Executive Committee was formed, and its members were appointed pursuant to the Board of Directors' resolution dated 14 Sha'ban 1443H (corresponding to 17 March 2022G), for a term of three years.

The Executive Committee comprises the following members as of the date of this Prospectus:

Table (5.5): Executive Committee Members

Name	Role
Khalid Mohammed Sedig Nouh	Chairman
Tarek Rizk	Member
Waleed Abdullah Abdulaziz Al-Mulhim	Member
Jesus Lamas Rios	Member
Samir Seth	Member

Source: The Company.

5.3.3.3 Biographies of the Members of the Executive Committee

The experience, qualifications and the current and other positions of the members of the Executive Committee are set out below:

A- Khalid Mohammed Sedig Nouh, Chairman of the Executive Committee

See Section 5.2.4.1 (*Khalid Mohammed Sedig Nouh, Chairman*) for further details regarding experience, qualifications and the current and previous positions of Khalid Mohammed Sedig Nouh.

B- Tarek Rizk, Member of the Executive Committee

See Section 5.2.4.2 (*Tarek Rizk, Vice Chairman*) for further details regarding experience, qualifications and the current and previous positions of Tarek Rizk.

C- Waleed Abdullah Abdulaziz Al-Mulhim, Member of the Executive Committee

See Section 5.2.4.3 (*Waleed Abdullah Abdulaziz Al-Mulhim, Director*) for further details regarding experience, qualifications and the current and previous positions of Waleed Abdullah Abdulaziz Al-Mulhim.

D- Jesus Lamas Rios, Member of the Executive Committee

See Section 5.2.4.6 (*Jesus Lamas Rios, Director*) for further details regarding experience, qualifications and the current and previous positions of Jesus Lamas Rios.

E- Samir Seth, Member of the Executive Committee

See Section 5.2.4.5 (*Samir Seth, Director*) for further details regarding experience, qualifications and the current and previous positions of Samir Seth.

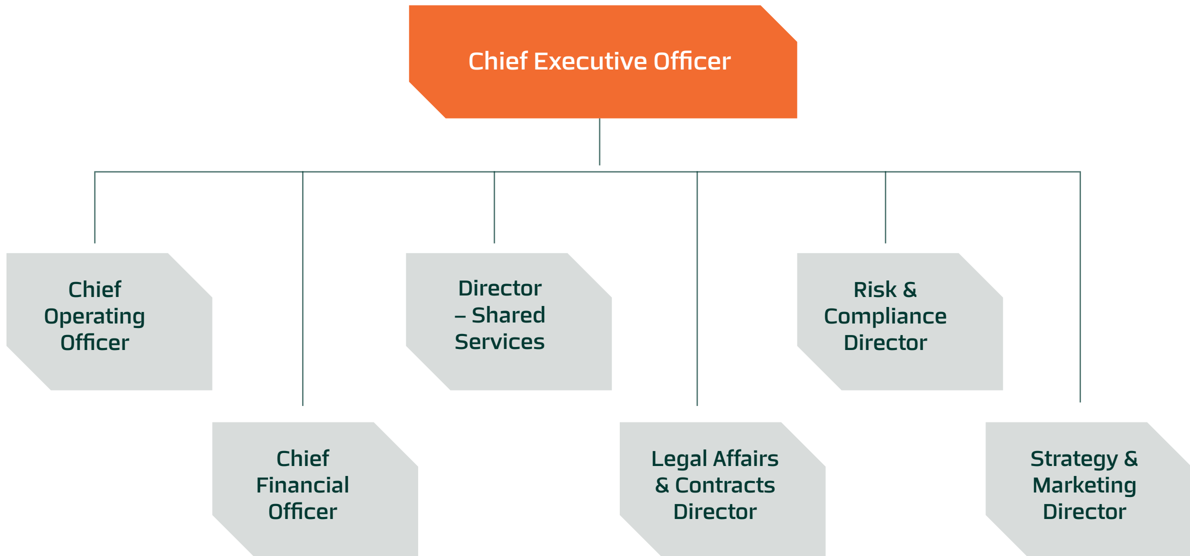
5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management of the Company comprises qualified and experienced members with the necessary knowledge and expertise to run the Company's business in line with the objectives and directives of the Board of Directors and the Shareholders. The Company has been successful in recruiting and retaining its Executive Management team, developing qualified employees and promoting them to senior positions in the Company.

The following chart sets out the Senior Executives as of the date of this Prospectus:

Exhibit (5.2): Senior Executives Chart



Source: The Company.

5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

Table (5.6): Details of Senior Executives

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held Pre-Offering	Number of Shares Held Post-Offering
Ghassan Abdulaziz Sulaiman Mirdad	Chief Executive Officer	23 Rajab 1443H (corresponding to 24 February 2022G)	Saudi	48	-	-
Hubert Lafeuille	Chief Financial Officer	8 Jumada al-Akhirah 1441H (corresponding to 2 February 2020G)	French	53	-	-
Stephane Jerome Moynet [1][2]	Chief Operating Officer	13 Rajab 1443H (corresponding to 14 February 2022G)	French	48	-	-
Tawfeeq Ibrahem Abdulmohsin AlHalal	Director – Shared Services	9 Safar 1436H (corresponding to 1 December 2014G)	Saudi	45	-	-
Mohammed Salim Mahdi AlHaider	Legal Affairs and Contracts Director	6 Safar 1430H (corresponding to 1 February 2009G)	Saudi	54	-	-
Khalid Ahmed Al Kaabi	Risk and Compliance Director	17 Thul-Qi'dah 1436H (corresponding to 1 September 2015G)	Saudi	58	-	-
Sherif Sanad Abadir Tawadros	Strategy and Marketing Director	29 Sha'ban 1443 (corresponding to 1 April 2022G	Egyptian	57	-	-
Shihab Ahmed Ali Al Moais	Internal Chief Audit Executive	5 Jumada al-Akhirah 1440H (corresponding to 10 February 2019G)	Saudi	38	-	-

Source: The Company.

[1] Stephane Jerome Moynet joined the Company as the technical managing director in December 2021G. He was appointed as the Chief Operating Officer of the Company on 14 February 2022G.

[2] As of the date of this Prospectus, Stephane Jerome Moynet owns a total of 6,822 shares in Schlumberger N.V. (Schlumberger Limited), the parent company of Services Pétroliers Schlumberger S.A. and an indirect shareholder of the Company, which indirectly owns approximately 48.99 per cent. of the Shares in the Company. As a result, Stephane Jerome Moynet indirectly owns approximately 0. 000005 Shares in the Company.

5.4.2.1 Ghassan Abdulaziz Sulaiman Mirdad, CEO

Nationality:	Saudi
Age:	48 years
Academic and Professional Qualifications:	• Bachelor's Degree in Chemical Engineering, King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 1996G; and • Master's Degree in Leadership and Strategy, London Business School, London, United Kingdom, 2016G.
Appointment Date:	• 23 Rajab 1443H (corresponding to 24 February 2022G)
Current Positions:	• CEO of the Company, since 2022G; and • Founder and Executive Director, AFKAR Ventures LLC, a limited liability company, energy and technology sector, since 2020G.
Key Past Professional Experience:	• CEO, Katerra Company, a limited liability company, construction and technology sector, from 2020G to 2022G; • President - Eastern Middle East Region of Schlumberger, Schlumberger N.V. (Schlumberger Limited) – Abu Dhabi, United Arab Emirates, a public corporation with limited liability registered in Curacao, oilfield services sector, from 2017G to 2020G; • Director of Investment and Partnership, Schlumberger Technical Services Inc., a corporation registered in United Arab Emirates, oilfield services sector, in 2017G; • Testing Vice President, Schlumberger N.V. (Schlumberger Limited) - Dubai, United Arab Emirates, a public corporation with limited liability registered in Curacao, oilfield services sector, in 2017G; • Portfolio Manager (Merger and Acquisitions), Schlumberger Middle East S.A. – Alkhobar, the Kingdom, a private corporation registered in Panama, oilfield services sector, from 2015G to 2016G; • Vice President and General Manager, Schlumberger Middle East S.A. – Alkhobar, the Kingdom, a private corporation registered in Panama, oilfield services sector, from 2011G to 2015G; • Worldwide Training Manager, Services Techniques Schlumberger S.A.S. – Paris, France, a corporation registered in France, oilfield services sector, from 2010G to 2011G; • Regional Operations Manager, Schlumberger Middle East S.A. – Alkhobar, the Kingdom, a private corporation registered in Panama, oilfield services sector, from 2007G to 2009; • Operations Manager and Testing Services, Schlumberger WTA (Malaysia) Sdn Bhd - Malaysia, a private limited company registered in Malaysia, oilfield services sector, from 2005G to 2007G; • Training, Development and Staffing Manager, Schlumberger Technical Services Inc., a corporation registered in United Arab Emirates, oilfield services sector, from 2003G to 2005G; • Field Services Manager, Schlumberger Seaco Inc. - Pakistan, a private corporation registered in Pakistan, oilfield services sector, from 2002G to 2003G; and • Field Engineer Assignments, Schlumberger Seaco Inc. - Pakistan, a private corporation registered in Pakistan, oilfield services sector, from 1996G to 2002G.

5.4.2.2 Hubert Lafeuille, Chief Financial Officer

Nationality:	French
Age:	53 years
Academic and Professional Qualifications:	• Master's Degree in Management and Finance, NEOMA Business School, Mont-Saint-Aignan, France, 1991G.
Appointment Date	• 8 Jumada al-Akhirah 1441H (corresponding to 2 February 2020G)
Current Positions:	• CFO of the Company, since 2020G.
Key Past Professional Experience:	• Regional Finance Director - Asia Pacific and Middle East, Singapore Crewing Services Pte Ltd (part of the SUBSEA 7 group of companies), a private limited company, construction and services sector, from 2017G to 2020G; • Country Managing Director, Singapore Crewing Services Pte Ltd (part of the SUBSEA 7 group of companies), a private limited company, construction and services sector, from 2015G to 2017G; • Vice President – Finance and Accounting, Ocean Rig UDW Inc., a company registered in the Grand Cayman, oilfield services sector, from 2014G to 2015G; • Project Finance Director, Singapore Crewing Services Pte Ltd (part of the SUBSEA 7 group of companies), a private limited company, construction and services sector, from 2013G to 2014G; • Senior Manager of Compensation & Benefits, Transocean North Sea Limited (part of TRANSOCEAN group of companies), a private limited company, oilfield services sector, from 2011G to 2013G; • Regional Finance Manager, Transocean International Resources Ltd. – Barbados (part of TRANSOCEAN group of companies), a private limited company, oilfield services sector, from 2003G to 2011G; • Senior Analyst Corporate Planning and Business Development, Transocean Offshore Deepwater Drilling Inc. (part of TRANSOCEAN group of companies), a company registered in the United States, oilfield services sector, from 2001G to 2003G; • Regional Finance Manager, Transocean Do Brasil Ltda (part of TRANSOCEAN group of companies), a private limited company, oilfield services sector, from 2000G to 2001G; • Business Analyst, Schlumberger Servicos Pretroliferos Ltda – Brazil (part of the SCHLUMBERGER group of companies), a private limited company, oilfield services sector, from 1997G to 2000G; • Internal Auditor, Schlumberger Ltd. (part of the SCHLUMBERGER group of companies), a private company registered in Netherlands Antilles, oilfield services sector, from 1995G to 1997G; • Senior Auditor, Arthur Anderson & Co., a French public joint stock company, financial advisory services sector, from 1992G to 1995G; and • Navy Officer, the French Navy, the maritime arm of the French Armed Forces, from 1991G to 1992G.

5.4.2.3 Stephane Jerome Moynet, Chief Operating Officer

Nationality:	French
Age:	48 years
Academic and Professional Qualifications:	• Master of Science in Engineering, Ecole Nationale Supérieure des Arts et Métiers (ENSAM) - Paris, France, 1997G ; and • Master of Business and Administration (MBA), Rotterdam School of Management, Rotterdam, Netherlands, 2006G.
Appointment Date:	• 13 Rajab 1443H (corresponding to 14 February 2022G)
Current Positions:	• Chief Operating Officer of the Company, since 2022G.
Key Past Professional Experience:	• Company technical managing Director, in 2021G. • Business Manager of Rig Management Services, Schlumberger Technology Corporation, a private stock corporation registered in Texas, United States, oilfield services sector, from 2019G to 2021G; • Vice President of Schlumberger Land Rigs Technology Lifecycle Management, Schlumberger Technology Corporation, a private stock corporation registered in Texas, United States, oilfield services sector, from 2017G to 2019G; • Vice President of Schlumberger Land Rigs Latin America, Europe and Africa, Schlumberger Technology Corporation, a private stock corporation registered in Texas, United States, oilfield services sector, from 2016G to 2017G; • Vice President of Saxon Western Hemisphere, Schlumberger Technology Corporation, a private stock corporation registered in Texas, United States, oilfield services sector, from 2015G to 2016G; • Regional Director of Saxon Australasia, Saxon Energy Services Pty Ltd an Australian Private Company, registered with the Australian Securities and Investments Commission, oilfield services sector, from 2013G to 2015G; • Geomarket Manager for Integrated Project Management Ecuador, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2013G to 2013G; and • Operations Manager for Integrated Project Management Venezuela, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2011G to 2012G; • Business Development Manager for Rig Management Group Headquarters, Services Techniques Schlumberger S.A.S. – Paris, France, a corporation registered in France, oilfield services sector, from 2008G to 2010G; • Project Manager for Integrated Project Management Mexico, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2007G to 2008G; • Project Manager for Integrated Project Management Algeria, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2006G to 2007G; • QHSE Manager for Integrated Project Management Venezuela, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2005G to 2006G; • Rig Manager for Rig Management Group Venezuela, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2004G to 2005G; • Rig Manager for Rig Management Group Oman, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2002G to 2004G; • Marketing Engineer for Rig Management Group Dubai, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 2001G to 2002G; • Rig Manager for Rig Management Group Gabon, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 1999G to 2001G; and • Field Engineer Sedco-Forex Pakistan and Japan, Schlumberger Global Resources Limited, a private company limited by shares registered in Bermuda, oilfield services sector, from 1998G to 1999G.

5.4.2.4 Tawfeeq Ibrahem Abdulmohsin AlHalal, Director – Shared Services

Nationality:	Saudi
Age:	45 years
Academic and Professional Qualifications:	• Bachelor's Degree in Accounting, King Fahd University of Petroleum and Minerals, Dhahran, Kingdom, 1998G; and • Certified Public Accountant, Saudi Organization for Chartered and Professional Accountant, Riyadh, Kingdom, 2003G
Appointment Date	• 9 Safar 1436H (corresponding to 1 December 2014G)
Current Positions:	• Director – Shared Services General Manager Administration of the Company, since 2022G.
Key Past Professional Experience:	• General Manager of Administrative Affairs of the Company, from 2015G to 2022G; • Human Resource Manager, the Company, from 2010G to 2015G; • Supply Chain Manager, the Company, from 2008G to 2010G; • Internal Auditor, the Company, from 2004G to 2008G; • Management Accountant, the Company, from 2002G to 2004G; and • Accountant, the Company, from 1999G to 2001G.

5.4.2.5 Mohammed Salim Mahdi AlHaider, Legal Affairs and Contracts Director

Nationality:	Saudi
Age:	54 years
Academic and Professional Qualifications:	• Bachelor's Degree in Law, Kuwait University, Kuwait City, Kuwait, 1990G.
Appointment Date	• 6 Safar 1430H (corresponding to 1 February 2009G)
Current Positions:	• Legal Affairs and Contracts Director of the Company, since 2009G.
Key Past Professional Experience:	• Personnel Administration Manager of the Company, from 2002G to 2009G; • Assistant Director of Human Resources, Saudi Fisheries Company, a public joint stock company, aquaculture sector, from 2000G to 2002G; and • Assistant Legal Affairs Manager, Saudi Fisheries Company, a public joint stock company, aquaculture sector, from 1997G to 1999G.

5.4.2.6 Khalid Ahmed Al Kaabi, Risk and Compliance Director

Nationality:	Saudi
Age:	58 years
Academic and Professional Qualifications:	• Bachelor's Degree in Accounting, King Faisal University, Alahsa, Kingdom of Saudi Arabia, 1989G; • Certified Internal Auditor, The Institute of Internal Auditors, Lake Mary, Florida, United States of America, 2003G; and • Certified Information System Auditor, Information Systems Audit and Control Association, Schaumburg, Illinois, United States of America, 2005G.
Appointment Date	• 17 Thul-Qi'dah 1436H (corresponding to 1 September 2015G)
Current Positions:	• Risk and Compliance Director of the Company, since 2015G.
Key Past Professional Experience:	• Acting CFO, Jubail Energy Service Company (JESCO), a closed joint stock company, pipes manufacturing sector, from 2014G to 2015G; • Chief Internal Auditor, Jubail Energy Service Company (JESCO), a closed joint stock company, pipes manufacturing sector, from 2013G to 2014G; • Chief Internal Auditor, Takween Advanced Industries Company, a public joint stock company, production sector, from 2009G to 2012G; and • Chief Internal Auditor, Olayan Financing Company, a limited liability company, investments sector, from 2004G to 2008G.

5.4.2.7 Sherif Sanad Abadir Tawadros, Strategy and Marketing Director

Nationality:	Egyptian
Age:	57
Academic and Professional Qualifications:	• Bachelor of Science in Civil Engineering, Cairo University, Cairo, Egypt, 1987G.
Date of Appointment:	• 29 Sha'ban 1443H (corresponding to 1 April 2022G)
Current Positions:	• Strategy and Marketing Director, the Company, from 2022G until the date of this Prospectus.
Key Past Professional Experience:	• Executive Vice President - Strategy and Chief Marketing Officer, The Industrialization & Energy Services Company (TAQA), a closed joint stock company, oilfield services and equipment sector, from 2020G to 2021G; • Vice President of Eastern Operations, Schlumberger Integrated Services Management (ISM) - London, United Kingdom, a limited liability company, oilfield services and equipment sector, from 2017G to 2018G; • Chairman and Board Representative, Sahara Well Construction Services (SWCS) - Algeria, closed joint stock company, mining, quarrying and oil and gas extraction, from 2010G to 2018G; • Vice President of Global Marketing and Technology, Schlumberger Integrated Services Management (ISM) - London, United Kingdom, a limited liability company, oilfield services and equipment sector, from 2015G to 2016G; • Vice President of Business Development, Schlumberger Land Riggs HQ - London, United Kingdom, a limited liability company, oilfield services and equipment sector, from 2014G to 2015G; • Vice President of Global Marketing and Technology, Schlumberger Integrated Project Management (IPM) - London, United Kingdom, a limited liability company, oilfield services and equipment sector, from 2011G to 2014G; • Vice President - Europe, Africa and Caspian Region, Schlumberger Integrated Project Management (IPM) - La Défense, Paris, France, a private company limited by shares registered in France, oilfield services and equipment sector, from 2010G to 2011G; and • Vice President and General Manager, Schlumberger Overseas S.A, Libya, a private company limited by shares registered in Panama, well and reservoir engineering and management services sector, from 2006G to 2010G.

5.4.2.8 Shihab Ahmed Ali Al Moais, Internal Chief Audit Executive

Nationality:	Saudi
Age:	38 years
Academic and Professional Qualifications:	• Bachelor's Degree in Accounting, King Fahd University of Petroleum & Minerals, Dhahran, Kingdom of Saudi Arabia, 2008G; • Certified Public Accountant, American Institute of Certified Public Accountants, New Hampshire, United States of America, 2011G; and • Certified Internal Auditor, Institute of Internal Auditors, Lake Mary, Florida, United States of America, 2016G.
Appointment Date	• 5 Jumada al-Akhirah 1440H (corresponding to 10 February 2019G)
Current Positions:	• Internal Chief Audit Executive of the Company, since 2019G.
Key Past Professional Experience:	• Internal Audit Director, Alturki Holding Company, a holding company, construction and building materials sector, from 2012G to 2019G; and • Assistant Manager, PricewaterhouseCoopers, Professional Company, professional services sector, from 2008G to 2012G.

5.4.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's Executive Management in which their fees and remuneration are identified depending on their qualifications and experience. These contracts include a number of benefits, such as providing housing and/or transportation, or granting a monthly allowance for the same. These contracts are renewable and subject to the Saudi Labour Law. The following table shows a summary of the employment contracts with the Company's Senior Executives:

Table (5.7): Summary of Employment Contracts Concluded with the Company's Senior Executives

Name	Title	Appointment Date	Date of Contract Conclusion	Date of Contract Expiration
Ghassan Abdulaziz Sulaiman Mirdad	Chief Executive Officer	23 Rajab 1443H (corresponding to 24 February 2022G)	12 Rajab 1443H (corresponding to 13 February 2022G)	2 Sha'ban 1445H (corresponding to 12 February 2024G)
Hubert Lafeuille	Chief Financial Officer	8 Jumada al-Akhirah 1441H (corresponding to 2 February 2020G)	2 Rabi' al-Awwal 1441H (corresponding to 30 October 2019G)	10 Rajab 1444H (corresponding to 1 February 2023G)
Stephane Jerome Moynet	Chief Operating Officer	13 Rajab 1443H (corresponding to 14 February 2022G)	26 Rabi' al-Thani 1443H (corresponding to 1 December 2021G) [1]	7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G) [1]
Tawfeeq Ibrahem Abdulmohsin AlHalal	Director – Shared Services	9 Safar 1436H (corresponding to 1 December 2014G)	18 Thul-Qi'dah 1419H (corresponding to 7 March 1999G)	14 Sha'ban 1444H (corresponding to 6 March 2023G)
Mohammed Salim Mahdi AlHaider	Legal Affairs and Contracts Director	6 Safar 1430H (corresponding to 1 February 2009G)	19 Dhul Qa'da 1422H (corresponding to 2 February 2002G)	12 Rajab 1444H (corresponding to 3 February 2023G)
Khalid Ahmed Al Kaabi	Risk and Compliance Director	17 Thul-Qi'dah 1436H (corresponding to 1 September 2015G)	17 Thul-Qi'dah 1436H (corresponding to 1 September 2015G)	15 Safar 1445H (corresponding to 31 August 2023G)
Sherif Sanad Abadir Tawadros	Strategy and Marketing Director	29 Sha'ban 1443H (corresponding to 1 April 2022G)	29 Sha'ban 1443H (corresponding to 1 April 2022G)	9 Sha'ban 1444H (corresponding to 31 March 2023G)
Shihab Ahmed Ali Al Moais	Internal Chief Audit Executive	5 Jumada al-Akhirah 1440H (corresponding to 10 February 2019G)	20 Rabi' al-Awwal 1440H (corresponding to 29 November 2018G)	18 Rajab 1444H (corresponding to 9 February 2023G)

Source: The Company.

[1] As of the date of this Prospectus, Stephane Jerome Moynet, is seconded to the Company pursuant to a master secondment agreement. Pursuant to an assignment letter, the secondment is effective as of 1 December 2021G, and is subject to periodic review, including annual review on 31 December 2022G (for more information about the master secondment agreement, see Section 12.11.1 (*Master Secondment Agreement between the Company and Schlumberger Middle East S.A.*).

Ghassan Abdulaziz Sulaiman Mirdad joined the Company as the CEO on 23 Rajab 1443H (corresponding to 24 February 2022G). He has an employment contract with the Company dated 12 Rajab 1443H (corresponding to 13 February 2022G), concluded for two years, automatically renewable unless either party notifies the other of its intent for non-renewal at least 90 days before the expiry of the contract. The duties and responsibilities of the Chief Executive Officer can be summarised as follows:

- managing the day-to-day affairs and business of the Company;
- managing the strategic affairs, customer relationships, business transformation and digital technology adoption of the Company;
- proposing and developing the Company's short- and long-term strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

Hubert Lafeuille joined the Company as the Chief Financial Officer on 8 Jumada al-Akhirah 1441H (corresponding to 2 February 2020G). He has an employment contract with the Company dated 2 Rabi' al-Awwal 1441H (corresponding to 30 October 2019G) concluded for a term of one year, renewable by a written notice from the Company, unless either party notifies the other of its intent for non-renewal at least 60 days before the expiry of the contract. The duties and responsibilities of the Chief Financial Officer can be summarised as follows:

- assisting in the formulation of the Company's objectives and lead the Company's financial planning process;
- leading the financial reporting process and strengthening the Company's internal control systems;
- optimising the Company's cash flow, liquidity and working capital facilities; and
- managing the financial forecast and budget processes and supervising the preparation of the Company's financial statements.

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the Ministry of Commerce's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary laws thereto, the Company's Bylaws and Remuneration Policy. In addition, attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

In accordance with Article 76 of the Companies Law, the maximum annual remuneration for each Director shall be SAR 500,000.

The following table sets out the remuneration of the Directors and top five Senior Executives (including the Chief Executive Officer and the Chief Financial Officer) granted by the Company and the Subsidiary for the financial years ended 31 December 2019G, 2020G and 2021G. Prior to its recent conversion from a limited liability company to a joint stock company, the Company did not have a board of directors, but a board of managers, and did not have board-level committees, except for an Audit Committee. Neither the Directors, nor Committee Members received any in-kind rewards or benefits. Senior Executives received in kind benefits pursuant to their employment agreements including housing and/or transportation, or monthly allowance grants for the same. In addition, the Company has in place a bonus scheme for its employees, including the Senior Executives.

Table (5.8): Directors and Top Five Senior Executives Remuneration in the Financial Years Ended 31 December 2019G, 2020G and 2021G

	Financial Year Ended 31 December		
	2019G	2020G	2021G
	(SAR Million)		
Directors	0.8	0.3	0.3
Members of the Committees	-	-	-
Top Five Senior Executives (including CEO and CFO)[1]	10.9	12.0	12.4
Total	**11.7**	**12.3**	**12.8**

Source: The Company.

[1] As of the date of this Prospectus, one of the Company's top five Senior Executives, namely, the COO Stephane Jerome Moynet, is seconded to the Company pursuant to an assignment letter, effective as of 1 December 2021G in accordance with a master secondment agreement. As a result, the value of the master secondment paid by the Company in connection with such secondment in the amount of SAR 0.12 million for the financial year ended 31 December 2021G, has been included within the remuneration of the top five Senior Executives (for more information about the master secondment agreement, see Section 12.11.1 (*Master Secondment Agreement between the Company and Schlumberger Middle East S.A.*).

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company's Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA on 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), as amended on 1 Jumada al-Akhirah 1442H (corresponding to 14 January 2021G).

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company's internal Corporate Governance Manual, which was adopted by the Board of Directors on 25 Sha'ban 1443H (corresponding to 28 March 2022G), includes provisions in relation to the following:

- rights of the Shareholders;
- the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);
- committees of the Board of Directors;
- management;
- internal control and audit; and
- internal policies.

Further, and as of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

- Article 8(a) on the Company announcing information about the nominees for the membership in the Board of Directors on the Exchange's website upon the invitation or calling for the General Assembly;
- Article 8(c) on limiting the General Assembly voting to candidates whose information was announced according to Article 8(a);
- Article 13(d) on publishing the invitation to the General Assembly on the websites of the Exchange and Company;
- Article 14(c) on making information related to the General Assembly's agenda available to the Shareholders through the websites of the Exchange and Company;
- Article 15(e) on announcing to the public and notifying the CMA and Exchange of the results of the General Assembly as soon as it ends;
- Article 16(3) on the required number of independent Directors in the composition of the Board of Directors;
- Article 17(d) on notifying the CMA of the names of the members of the Board of Directors, a description of their memberships, as well as any changes in their memberships;
- Article 19(b) on promptly notifying the CMA and the Exchange upon the termination of the membership of a Board member, specifying the reasons for such termination;
- Article 20(b) on the Board of Directors annually evaluating the extent of the Board member's independence and ensuring that there are no relationships or circumstances that affect or may affect his/her independence; and
- Article 68 on the Company publishing the Board membership nomination announcement on the websites of the Company and the Exchange to invite those interested in being nominated for Board membership, provided that the nomination period shall remain open for at least a month from the date of the announcement.

The Company is currently not complying with the above requirements of the Corporate Governance Regulations applicable to listed companies because it is not yet a listed company as of the date of this Prospectus (except as noted below for the two vacant seats for independent Directors). The Directors undertake to comply with such requirements, with effect from Admission, as soon as the approval is issued for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all the other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has three Board Committees (the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and recommendations to the Board of Directors (for further details, see Section 5.3 (*Board of Directors Committees*)). The Board of Directors ensures, among other things, that:

- all the Committees have clear competencies and that the roles and responsibilities of each Committee shall be detailed; and
- minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

As of the date of this Prospectus, the Company's Board of Directors consists of seven appointed Directors, most of whom are non-executive Directors (one of which is an independent Director), with two vacant seats from a total nine Board seats. As a result, the Board is not in compliance with the requirements of Article 16(3) of the Corporate Governance Regulations, which requires that the number of independent Directors be at least two Directors or one-third of the Directors, whichever is greater. As such, the Company must appoint two independent Directors to meet the requirements set out in the referenced Article 16(3) of the Corporate Governance Regulations and complying with the independence criteria set out in Article 20 of the Corporate Governance Regulations. Noting that the Company intends to comply with the independence requirements set out in the Corporate Governance Regulations, while considering the stability of the Board's composition during the Offering and Admission periods, and undertakes the following (for more information about the Company's Undertakings in relation to compliance with the Corporate Governance Regulations, see Section 15 (*Undertakings Following Admission*)):

- the composition of the Board shall remain unchanged until completion of the Admission, to ensure the stability of the Board during the Offering and Admission, as the current Directors are familiar with the Company's business and internal processes and procedures; and
- the Company shall start the necessary procedures, within a period of no more than 30 days from the date of Admission, for nominating and electing two independent Directors to fill the vacant seats on the Board of Directors. Pursuant to the Bylaws, election of Directors shall be by cumulative vote, and the Substantial Shareholders shall not have any special rights in connection with the nomination and election processes.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders have adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 12.15 (*Summary of Bylaws*)). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of such votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Directors confirm that:

a- they will comply with the Articles 71 and 72 of the Companies Law and the Articles 44 and 46 of the Corporate Governance Regulations;

b- they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and

c- they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 72 of the Companies Law.

As of the date of this Prospectus, none of the Directors, Senior Executives, Board Secretary nor any of their relatives have any direct or indirect interest in the Shares or debt instruments of the Company or the shares or debt instruments in the Subsidiary or any matter that may in any way affect the business of the Company, except as disclosed in this Section 5.7 (*Conflicts of Interest*). As of the date of this Prospectus, none of the Directors, Senior Executives or the Current Shareholders is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. To engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

The following table provides a summary of the contracts and arrangements in effect or contemplated with any member of the Group in which a Director or Senior Executive or any of their relatives have a direct or indirect interest as of the date of this Prospectus:

Table (5.9): Summary of Contracts and Transactions in which a Director or Senior Executive or any of their Relatives have a Direct or Indirect Interest as of the Date of this Prospectus

Parties	Nature of the Contract or Transaction	Total Revenue from the Contract/Transaction For the Financial Year Ended 31 December 2021G	Directors with a Direct or Indirect Interest
The Company (as the client) with Schlumberger Middle East S.A. (as the service provider)	Master Secondment Agreement	SAR 5,539,057.25	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A.
The Company (as the customer) and Schlumberger Rig Technology Inc. (as the service provider)	Transactions, on a purchase order basis, for supply of equipment and spare parts	SAR 257,342.19	Jesus Lamas Rios, as President of Well Construction Division, Schlumberger Technology Corporation, an affiliate of Schlumberger Rig Technology Inc. Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Rig Technology Inc.
The Company (as the customer) and Cameron Al Rushaid Co. Ltd. (as the supplier)	Transactions, on a purchase order basis, for supply of equipment and spare parts	SAR 33,270,726.89	Jesus Lamas Rios, as President of Well Construction Division, Schlumberger Technology Corporation, an affiliate of Cameron Al Rushaid Co. Ltd. Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Al Rushaid Co. Ltd.
The Company (as the customer) and Cameron International Corporation (as the supplier)	Supplier Pricing Agreement (Contract No. 111-2020)	-	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron International Corporation
The Company (as the customer) and Cameron France S.A.S. (as the supplier)	Transactions, on a purchase order basis, for supply of equipment and spare parts	SAR 3,636,457.60	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron France S.A.S.
The Company (as the customer) and Cameron Sense A.S. (as the supplier)	Transactions, on a purchase order basis, for supply of equipment and spare parts	SAR 581,715.89	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Sense A.S.
The Company (as the customer) and Cameron Middle East FZE (as the supplier)	Transactions, on a purchase order basis, for supply of equipment and spare parts	SAR 9,101,664.07	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Middle East FZE
The Company (as the service provider) with Schlumberger Middle East S.A. (as the customer)	Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201802 Rig AD41, 42, 43, 46, 55, 56, 59, 61, 64, 65, 66 and 67)	- [1]	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A.
The Company (as the service provider) and Schlumberger Middle East S.A. (as the customer)	Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD53 and 54)	- [1]	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A.
The Company (as the service provider) and Dowell Schlumberger Saudi Arabia Ltd. (as the customer)	Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD57, 58, 62, 63 and 68)	- [1]	Vijay Kasibhatla, as Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Dowell Schlumberger Saudi Arabia Ltd.

Parties	Nature of the Contract or Transaction	Total Revenue from the Contract/Transaction For the Financial Year Ended 31 December 2021G	Directors with a Direct or Indirect Interest
The Company (as the lessor) and Arabian Geophysical and Surveying Company (as the lessee)	Commercial Lease Agreement	SAR 723,500	Khalid Mohammed Sedig Nouh, as Chairman of the Arabian Geophysical and Surveying Company Samir Seth, as Executive Vice President of Corporate Finance and Planning of The Industrialization and Energy Services Company (TAQA), an affiliate of the Arabian Geophysical and Surveying Company
The Company (as the customer) and The Industrialization and Energy Services Company (TAQA) (as the service provider)	Internal Service Level Agreement (Contract No. 100-2020)	SAR 310,500	Khalid Mohammed Sedig Nouh, as Chief Executive Officer of The Industrialization and Energy Services Company (TAQA) Samir Seth, as Executive Vice President of Corporate Finance and Planning of The Industrialization and Energy Services Company (TAQA)
The Company (as the customer) and The Industrialization and Energy Services Company (TAQA) (as the service provider)	Secondment Agreement	SAR 195,419	Khalid Mohammed Sedig Nouh, as Chief Executive Officer of The Industrialization and Energy Services Company (TAQA) Samir Seth, as Executive Vice President of Corporate Finance and Planning of The Industrialization and Energy Services Company (TAQA)
Ofsat Arabia LLC (as the service provider) and TAQA Well Services (formerly known as TAQA Sanjel) (as the customer)	Service Agreement	- [1]	Khalid Mohammed Sedig Nouh, as a Director in TAQA Well Services Samir Seth, as Executive Vice President of Corporate Finance and Planning of The Industrialization and Energy Services Company (TAQA), an affiliate of TAQA Well Services

Source: The Company.

[1] The values of a number of agreements with key customers detailed in the table above have not been disclosed on a standalone basis as the Company considers such information commercially sensitive.

The following table shows the details of the Directors' engagement in similar or competing activities of the Company (the case listed therein was approved by the Shareholders in the General Assembly of the Company at its meeting held on 4 Ramadan 1443H (corresponding to 5 April 2022G)) as of the date of this Prospectus:

Table (5.10): Board Directors Participating in Other Companies that Conduct Activities Similar or Competitive to that of the Company Through their Membership of the Board of Directors or their Capital Shareholding as of the Date of this Prospectus

Director	The Other Competing Company	The Position of the Director in the Competing Company		The Nature of the Competing Activity
		Owner	Director	
Vijay Kasibhatla	Schlumberger Limited (Schlumberger N.V.)	N/A	Director of Mergers and Acquisitions	Land drilling rig services.

Source: The Company.

5.8 Bankruptcy/Insolvency

None of the Directors, Senior Executives or the Secretary has at any time been declared bankrupt or been subject to bankruptcy proceedings.

None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past five years preceding the date of this Prospectus.

5.9 Employees

The Company adopted an employment handbook aimed at building and enhancing relations between the Company and its employees. This handbook covers all aspects concerning the recruitment process, the code of conduct and ethics, health, safety and environment (HSE), career development and training, salaries and other allowances and benefits, including accommodation and transportation allowances and rewards.

5.9.1 Number of Employees

As of 31 December 2021G, the Company employed 3,913 employees (76.2 per cent. of whom were Saudi nationals) and the Group employed in total 4,419 employees (71.7 per cent. of whom were Saudi nationals). In addition, the Group had eight Senior Executives, of which two are non-Saudi nationals.

The following table shows the number of employees of the Company and the Subsidiary by business departments as of 31 December 2019G, 2020G and 2021G.

Table (5.11): Number of Employees of the Company and the Subsidiary by business departments as of 31 December 2019G, 2020G and 2021G

Business Department	31 December											
	2019G				2020G				2021G			
	Saudi	Non-Saudi	Total	Saudisation Percentage	Saudi	Non-Saudi	Total	Saudisation Percentage	Saudi	Non-Saudi	Total	Saudisation Percentage
Administration	218	68	286	76.2%	150	62	212	70.8%	180	73	253	71.1%
Internal Audit	4	2	6	66.7%	4	2	6	66.7%	4	2	6	66.7%
Compliance	7	5	12	58.3%	-	1	1	-	3	1	4	75.0%
Executive	1	2	3	33.3%	1	2	3	33.3%	2	1	3	66.6%
Finance	25	13	38	65.8%	27	13	40	68.4%	30	11	41	73.2%
Legal	4	3	7	57.1%	3	3	6	50.0%	4	1	5	80.0%
Operations	3,238	1,272	4,510	71.8%	2,924	1,146	4,070	71.8%	2,913	1,146	4,059	71.8%
Quality, Health, Safety and the Environment (QHSE)	47	20	67	70.1%	51	15	66	77.3%	33	15	48	68.7%
Total	**3,544**	**1,385**	**4,929**	**71.9%**	**3,160**	**1,244**	**4,404**	**72.8%**	**3,169**	**1,250**	**4,419**	**71.7%**

Source: The Company.

The table below shows the number of employees of the Company and the Subsidiary and the achieved Saudization percentages as of 31 December 2019G, 2020G and 2021G:

Table (5.12): Number of Employees of the Company and the Subsidiary and the Achieved Saudization Percentages as of 31 December 2019G, 2020G and 2021G

Entity	31 December											
	2019G				2020G				2021G			
	Saudi	Non-Saudi	Total	Saudization Percentage	Saudi	Non-Saudi	Total	Saudization Percentage	Saudi	Non-Saudi	Total	Saudization Percentage
Arabian Drilling Company	3,364	1,110	4,474	75.2% / Platinum	2,973	944	3,917	75.9% / Platinum	2,983	930	3,913	76.2% / Platinum
Ofsat Arabia LLC	180	275	455	39.6% / Low Green	187	300	487	38.4% / Low Green	186	320	506	36.8% / Medium Green
Total	3,544	1,385	4,929	71.9%	3,160	1,244	4,404	72.8%	3,169	1,250	4,419	71.7%

Source: The Company.

The number of Company's employees was 4,474 employees as of 31 December 2019G, which slightly decreased by 12.4 per cent. to 3,917 employees as of 31 December 2020G, and slightly decreased to 3,913 employees as of 31 December 2021G. The decrease of employees in 2020G was mainly due to the reduction of the Company's operations, as several rigs were suspended by Saudi Aramco, its principal customer, pursuant to certain contractual rights in the relevant agreements. The number of employees of the subsidiary was 455 employees on 31 December 2019G, and increased by 7.0 per cent. to 487 employees on 31 December 2020G, before increasing a further 3.9 per cent. to 506 employees on 31 December 2021G. Accordingly, the number of the Group's employees was 4,929 employees as of 31 December 2019G, which decreased by 10.7 per cent. to 4,404 employees as of 31 December 2020G for the same reason mentioned above, and was slightly increased to 4,419 employees as of 31 December 2021G.

5.9.2 Saudization

The "**Nitaqat**" Saudization Programme was approved pursuant to the Minister of Human Resources and Social Development (formerly Minister of Labour) Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21/5/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). MHRSD established the "**Nitaqat**" programme to provide establishments with incentives to hire Saudi nationals. The programme assesses an establishment's performance based on specific ranges, which are platinum and green (which is further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are noncompliant) are deemed to be noncompliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

For the Nitaqat classification of the Company and the Subsidiary, see Table 5.12 (Number of Employees of the Company and the Subsidiary and the Achieved Saudization Percentages as of 31 December 2019G, 2020G and 2021G) above.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

The following management's discussion and analysis of the Group presents an analytical review of its operational performance and consolidated financial position during the financial years ended 31 December 2019G, 2020G and 2021G. This Section should be read in conjunction with the Group's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, which have been prepared by the Company in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The financial statements have been audited by the Auditors.

The Group's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and have been audited by the Auditors, as set out in their audit reports on the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G. The financial information for the financial years ended 31 December 2019G, 2020G and 2021G has, unless otherwise indicated, been derived without material adjustment from the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. Certain comparative financial information for the financial year ended 31 December 2019G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2020G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2019G. Certain comparative financial information for the financial year ended 31 December 2020G has been reclassified to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2021G, and hence differs from the financial information included in the audited consolidated financial statements for the financial year ended 31 December 2020G. There was no impact on profit or loss for the financial years ended 31 December 2019G and 2020G or total equity as a result of such reclassifications, which has been explained in this Section where relevant.

The Auditors confirm their independence from the Company as stated in the Auditors' Report included elsewhere in this Prospectus.

All amounts are in SAR thousand, unless stated herein otherwise. References to "**CAGR**" refer to Compound Annual Growth Rate over the period from the financial year ended 31 December 2019G to the financial year ended 31 December 2021G. Percentages have been rounded and therefore a calculation of the percentage variance, based on amounts presented in tables within this Section (shown in thousands), may not be exactly equivalent to the corresponding percentages as stated in the audited consolidated financial statements. For the purpose of calculating certain figures and percentages, the underlying numbers used have been extracted from the rounded figures presented in the audited consolidated financial statements. As a result of such rounding, the totals of data presented in tables in this Prospectus may vary slightly from the arithmetic totals of such data.

This Section may contain data and statements of forward-looking nature that may entail risks and uncertainties. The Group's actual results could differ materially from those expressed or implied in such data and statements, as a result of various factors, including those discussed within this Section and elsewhere in this Prospectus, particularly, in Section 2 (*Risk Factors*).

6.2 Directors' Declaration for Financial Information

As of the date of this Prospectus, the Directors declare that:

- the financial information contained in this Section has been extracted without material changes and presented in a form consistent with the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, which have been prepared in compliance with the IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. In addition, certain financial information presented in this Section has been extracted from management information;
- no commissions, discounts, brokerages or other non-cash compensation have been granted by the Company or the Company's Subsidiary, within the three years immediately preceding the application for registration, and offer of securities, that are the subject of this Prospectus in connection with the Group or the offer of any securities;
- the Board of Directors declares that the Group has working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus;

- there has been no material adverse change in the Group's financial or business position in the three years immediately preceding the application for registration and offer of securities that are subject of this Prospectus and the period covered in the Auditors' Report up to the date of approval of the Prospectus;
- there is no intention to introduce any material changes to the nature of the Group's activity;
- operations have not discontinued in a way that could affect or has affected its financial position materially during the past 12 months;
- all material facts regarding the Group and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading;
- opinions expressed on the financial statements of the Company and the Subsidiary in the past three years preceding the date of application for the registration and offer of securities subject to this Prospectus were unqualified;
- the Company and the Subsidiary have not undergone any restructuring in the past three financial years preceding the date of application for registration and offer of securities;
- there were no changes to the accounting policies of the Company and the Subsidiary in the past three years preceding the date of application for the registration and offer of securities subject to this Prospectus;
- no material adjustments were made or required to be made to the audited and announced financial statements of the Company and the Subsidiary during the three years immediately preceding the date of application for the registration and offer of securities subject to this Prospectus;
- the Company and the Subsidiary did not have any capital under option; and
- the Company or the Subsidiary did not have any holding, including contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain with certainty, which may significantly affect the assessment of the financial position of the Company or the Subsidiary.

6.3 Key Factors Affecting the Group's Operations

The Group's results of operations are driven by a combination of factors, many of which affect the drilling industry and are also driven by the oil and gas industry generally, which greatly depends on current and anticipated commodity prices, production depletion rates and levels of cash flow generated and allocated to drilling and production budgets in the Kingdom by the Group's reference customers. The Group's results of operations and cash flow are also affected by company-specific structural and operational factors.

The following factors have had, and will continue to have, a material effect on the Group and the Group's business, financial condition and results of operations. As many of such factors are beyond the control of the Group and may be volatile in nature, past performance will not necessarily be indicative of future performance, and it is difficult to predict future performance with any degree of certainty. For further important factors, including the ongoing COVID-19 pandemic, that could cause the Group's actual operations or financial conditions to differ materially from those expressed or implied below, see Section 2 (*Risk Factors*) in this Prospectus.

6.3.1 Government Policies Affecting the Group's Operations

Key government policies affecting the Group's operations include regulatory, economic, and environmental policies.

6.3.1.1 Regulatory Policies

The Group's customers include state related oil companies, and since the Government is the sole regulator of the oil and gas industry in the Kingdom, the Government develops rules and regulations that affect the Kingdom's economy and the level of oil production in the exercise of its sovereign prerogatives. The Group is also subject to several laws, rules and regulations pertaining to tax, zakat, exports, environment, natural resource management, labour, and health and safety, which may be subject to change depending on the Government policy. The cost of compliance with these laws, rules and regulations affects the results of the Company's operations. Failure to comply with these laws, rules and regulations may result in damage to the Group's reputation, fines, penalties, or suspension or even termination of operations.

6.3.1.2 Economic Policies

Oil and gas drilling service providers, including the Group, are affected by several economic factors such as global and local oil supply and demand, economic growth, consumption trends, exchange rates, interest rates, customs tariffs, tax and zakat. The Kingdom's Government has implemented several economic, fiscal and monetary policies to control these economic factors, in order to achieve its vision and strategic economic objectives. Therefore, the Group's results of operations are impacted by economic, fiscal and monetary policies that are pursued by the Kingdom.

6.3.1.3 Environmental Policies

Evolving and changing environmental requirements lead to the implementation of environmental policies that affect global oil production levels. Moreover, the Government may set up environmental policies to meet its carbon emissions goals and other environmental goals. Hence, the Group's results of operations are impacted by government environmental policies and sovereign decisions regarding oil production levels.

6.3.2 Day Rates and Utilisation Rates

A key driver of revenue for oil and gas drilling service providers, including the Group, is the capability of the entity to maximise both the day rates paid by customers and the utilisation rates of the rigs and other equipment. Day rates are negotiated directly with customers or determined through a formal bidding process and can be influenced by the operating performance of the service provider, as well-established drilling contractors with a strong track record of safety and operating uptime are generally able to negotiate more favourable day rates. Market factors, such as drilling rig supply/demand ratio, customer exploration and production capital expenditure budgets, Brent crude oil prices and natural gas prices, can all impact day rates.

As is common in the industry, the Group's contracts can contain multiple day rates, including specified day rates for routine operations and reduced day rates for equipment downtime, adverse weather, rig moves or other instances of scheduled or non-scheduled events, including for circumstances both within or outside the Group's and the customer's control. Day rates can only be charged whenever the rig is operational (or utilised). As such, utilisation rates have a direct impact on the revenue generation of the Group. For the financial years ended 31 December 2019G, 2020G and 2021G, the Group's average utilisation rates for the onshore segment were 100.0 per cent., 86.2 per cent. and 75.4 per cent., respectively and for the offshore segment were 68.8 per cent. and 85.7 per cent. and 81.0 per cent., respectively. The average utilisation rate of the Company's fleets (onshore and offshore, respectively) is calculated as (i) the aggregate number of months in which each rig in such fleet is operational under a contract (provided that a rig is considered to be operational for an entire month where it is operational for any part of such month), divided by (ii) the total number of months in the year multiplied by the number of rigs in such fleet. For purposes of this calculation, rigs that were suspended and stacked for any period during the year are included, and rigs held for sale are excluded.

Utilisation rates between 2019G to 2021G have fluctuated due the COVID-19 pandemic in 2020G and 2021G and also as a result of scheduled maintenance and refurbishment of rigs over the years, which resulted in a number of contracts being temporarily suspended The Group actively works to improve utilisation rates by rigorous scheduled maintenance (to keep rigs operational for as long as possible) and continuous monitoring and active sourcing of new contracts to limit downtime between contracts.

As described above, the Group's revenues are impacted by maintenance of day rate levels as well as any inactive periods between contracts. For more details on the Group's determination of day rates, rig move revenue and utilisation rates, see Section 4.5.2.3 (*Active Rig Months*) and under Section 2.1.6 (*Risks Related to Drilling Contracts Containing Fix Day Rates*).

6.3.3 Rig Move Revenue

A significant portion of the Group's revenues, recorded in the onshore segment, is attributed to rig move revenue (see Section 6.5.1.1 (*Revenue*) for more details). For the financial years ended 31 December 2019G, 2020G and 2021G, 15.5 per cent., 17.8 per cent. and 19.3 per cent. of the Group's total revenues were derived from rig move revenue. This revenue stream is typically dependent on the level of drilling activity in the Kingdom and the customer's instructions as to specific locations within the Kingdom where drilling is planned and may be realised at various stages of a drilling contract (for both principal and extension periods), as and when such customer instructs the Group to move the relevant rig to different locations within the Kingdom at its sole discretion. This revenue is contracted on a lump sum basis and will therefore vary from year-to-year dependent upon decisions made by the Group's customers as and when they wish to move drilling operations to different locations.

6.3.4 Acquisitions of Rigs and Equipment

As discussed further below, the Group has conducted various rig acquisitions that have had a significant impact on its financial results. Over the last five years the Group has acquired 14 onshore rigs and has refurbished two offshore rigs. Acquisitions of further rigs are not made on a speculative basis but are considered by the Group once new drilling contracts have been secured to utilise the rigs at appropriate levels of profitability. Rig acquisitions will enable the Group to enter into more contracts and thus more drilling activity to take place and typically will have a significant impact on, among other items, the Group's revenue, and staff costs (in incurring additional crew salaries being the primary component of cost of revenues) and depreciation. Finance costs have also generally increased in line with acquisitions as a result of raising financing to purchase the new rigs and to hire additional staff to refurbish, equip and operate the newly acquired rigs.

Finance costs have also generally increased in line with acquisitions as a result of raising financing to purchase the new rigs and to hire additional staff to refurbish, equip and operate the newly acquired rigs. In February 2022G, the Group raised SAR 2.0 billion by way of a Sukuk issuance in order to finance the acquisition of rigs and fund associated costs subject to award of contracts and repayment of outstanding loans. This bears interest at a rate of SAIBOR plus 160 bps and consequently will increase the finance costs of the Group.

6.3.5 Global Demand Conditions and Industry Growth Rates

The key driver of demand for the Group's services is the demand for oil and gas and correspondingly, drilling activities. The level and demand for oil and gas may be affected by several factors, such as trading activities in the crude oil commodity market, oil and gas production, competition between OPEC and other oil-producing countries, level of worldwide oil exploration and production capacity, market forecasts of future supply and demand for petroleum and its products, sanctions on oil-producing countries, global economic and geopolitical conditions affecting international trade, oil regulation policies in the Kingdom, climate change impact, changes in environmental regulations, weather conditions affecting transportation routes and oil production, development of new methods for oil exploration, production and transportation, prices and availability of alternative energy sources, advances in transportation, and fluctuations in the value of the US dollar. Such overall market trends have a direct impact on the number of active contracts the Group is involved in, their duration, and the exercise of any customer extension or suspension options. The Group's revenue is directly related to levels of demand for oil and gas; however, due to the long-term nature of most of the contracts, the Group believes there are typically time lags between the level of contractual activity with its customers and overall oil and gas market trends. As a result, the Group's revenues are less impacted by short-term price movements in commodity prices and demands and more impacted by longer term trends. In general, sustained high oil prices typically lead to increased activity and production for customers, generating higher demand for the Group's services. Increased oil prices may also allow companies to be more willing to invest in new assets as the prospect of higher revenue streams may improve the availability of external funding. On the other hand, low oil prices, correspondingly may have the opposite effect, with significant reductions in capital expenditure budgets, cancellation or deferral of projects and reductions in discretionary expenditures.

6.3.6 Renewals and Competitive Position

The Group's revenue is predominantly derived from drilling contracts that are awarded on a tender basis from a small number of existing customers. The Group participates in tenders to win new contracts (which may include extension options that are exercisable at the discretion of the customer prior to the end of a contract term) and to renew certain existing contracts (which may not have an option to be extended by the customer or to be renegotiated privately with the customer without a prior tender process). It is generally difficult to predict whether the Group will be awarded future contracts on favourable terms or at all, as tenders are affected by several factors beyond the Group's control, such as market conditions, including the intensity of the competition due to oversupply of rigs, the willingness or ability of competitors to submit lower bid, the technical profiles of competitors relative to the Group and governmental approvals. In addition, options to extend contracts do not represent guaranteed commitments from the Group's customers, and may be exercised by the customers fully, partially, or not at all.

As of 31 December 2021G, the Group's backlog was SAR 2.4 billion and the average of the remaining contracted term was 0.9 years per rig. The Group expects the backlog position to increase during the first half of 2022G as contracts expiring during that period are expected to be renewed or extended. The Group has been able to achieve a high rate of renewals of its existing contracts due to the Group's track record of operational excellence, and management capabilities, although such renewals may be subject to possible changes in day rates and other terms depending in part on the then prevailing market conditions. The Group also expends significant effort in meeting the technical and operational requirements of existing customers in order to ensure sustained contract renewal. The Group also displays high REI, which is used by Saudi Aramco's internal systems to measure individual rig performance across all its contracted and sub-contracted drilling contractors, and which is relevant to the Group's ability to renew drilling contracts with Saudi Aramco. According to Saudi Aramco's REI Performance Report as of 31 December 2021G, the Group had a 36-month average score of 92.0 per cent., split between 101.0 per cent. (i.e., "**Superior Performance**") for its offshore fleet and 91.0 per cent. (i.e., "**High Performance**") for its onshore fleet.

However, should any of the Group's customer contracts expire and not be renewed or terminated, such event may negatively affect its results of operations as revenue with respect to such rigs would decrease unless or until the rigs were contracted to another customer, which could lead to a period during which the rig is off-hire and adversely affect the Group's utilisation and contract backlog.

6.3.7 Costs of Operations and Operational Efficiency

In order to operate its rigs, the Group incurs costs including salaries, wages and benefits for crews, costs for transportation, maintenance and materials consumed, mobilisation and rig move and incurs depreciation on the PPE involved in performing drilling operations. The costs for salaries, wages and benefits for crews form the largest component of costs of operations for the financial years ended 31 December 2019G, 2020G and 2021G, comprised 50.3 per cent. (SAR 1,134.9 million), 47.1 per cent. (SAR 945.9 million) and 52.5 per cent. (SAR 908.9 million) of costs of operations respectively.

The Group incurs costs maintaining crews to operate its rigs, including wages, travel expenses, ongoing training programmes and accommodation costs. Pay rates are correlated to the local economic environment and are adjusted to comply according to Saudi labour law; the overall crew cost is directly correlated to the Group's historical utilisation levels, and personnel are paid for the number of days worked based on a pre-defined rotation schedule rather than by fixed salary. Where a rig is stacked without a full crew (or any crew at all), less (or no) cost is incurred for the crew that operates the rig, however, increased costs and longer lead times may then be incurred when reactivating the rig prior to mobilisation. Lower personnel costs are generally associated with periods of lower levels of utilisation, lessening the impact on the Group's operating profit.

The Group has consistently sought to optimise payroll and associated cost and spending while enhancing operational efficiency. Various cost optimisation initiatives and programmes were implemented throughout 2020G and 2021G, including restructuring of compensation and benefit schemes and renegotiations of historical contracts.

The costs for depreciation form the second largest component of costs of operations for the financial years ended 31 December 2019G, 2020G and 2021G, comprised 27.2 per cent. (SAR 612.8 million), 35.7 per cent. (SAR 718.2 million) and 30.9 per cent. (SAR 533.9 million) of costs of operations respectively. The cost of depreciation was decreased in 2021G due to change in the accounting estimate for the useful lives of fixed assets. See Section 6.3.8 (*Change in Accounting Estimates of Useful Lives of Property and Equipment*) for more details.

The costs for maintenance and materials consumed comprised 9.3 per cent. (SAR 209.6 million), 5.2 per cent. (SAR 103.6 million) and 5.3 per cent. (SAR 92.3 million) of costs of operations respectively for the financial years ended 31 December 2019G, 2020G and 2021G. The costs for transportation comprised 8.9 per cent. (SAR 199.8 million), 7.4 per cent. (SAR 148.9 million) and 6.9 per cent. (SAR 119.6 million) of costs of operations respectively for the financial years ended 31 December 2019G, 2020G and 2021G. The Group was able to achieve operational efficiency on the costs of maintenance and materials consumed and transportation by adopting the cost saving measures and due to the suspension of the nine rigs, resulting in lower routine and maintenance capex spent. Between 2020G and 2021G, Saudi Aramco has decided to temporary suspend a total of nine contracted rigs, being eight onshore rigs (namely AD16, AD31, AD32, AD34, AD35, AD47, AD48 and AD49) and one offshore rig (AD60) for a period of a few months to more than one year. These temporary suspensions were the result of Saudi Aramco adjusting its Exploration and Production Budget in the wake of the COVID-19 pandemic and the resulting drop in global oil demand. The impact of the suspended rigs has mostly impacted 2021G since seven out of the eight suspended onshore rigs were suspended starting from second half of 2020G and throughout almost the entire year of 2021G.

The Kingdom, in common with most other geographies, is currently experiencing levels of inflation significantly higher than the recent historical norm, a trend which is expected to continue in the coming periods. The Group applies certain cost escalation assumptions for purposes of calculating day rates when bidding on contracts, thereby seeking to protect the contract's profitability during inflationary periods. Nonetheless, because the Group's day rates are typically fixed for the duration of its drilling contracts, if actual cost escalation during the life of the contract exceed the initial assumptions, the contract's profitability would suffer. However, at the time of contract extension and/or renewal, the Group has the opportunity to renegotiate the day rate and request for a price revision in order to offset the cost escalation. See also Section 2.1.6 (*Risks Related to Drilling Contracts Containing Fixed Day Rates*).

6.3.8 Change in Accounting Estimates of Useful Lives of Property and Equipment

The Group's management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually, and future depreciation charges are adjusted where the useful lives differ from previous estimates. For the financial year ended 31 December 2021G, as a result of a detailed exercise carried out by the Group's in-house technical team, the Group re-assessed the useful life range of its rigs and equipment based on historical performance, contractual specifications, technological changes and physical inspection of the rigs and equipment, covering 332 fixed assets' components. As a result of this assessment, the estimated useful life range was revised from 7-20 years to 730 years. The revision in estimated useful life range is considered to be a change in accounting estimate and, accordingly, the effect of this change has been adopted prospectively. As a result, the depreciation charge and cost of revenue for the financial year ended 31 December 2021G decreased by SAR 199.2 million and the profit and total comprehensive income for the financial year ended 31 December 2021G increased by SAR 199.2 million compared to what it would have been using the previous useful life range.

6.4 Basis of Preparation, Basis of Consolidation and Summary of Significant Accounting Policies

6.4.1 Basis of Preparation

The Financial Statements have been prepared by the Company in compliance with IFRS that are endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA. The policies have been applied consistently throughout the Financial Statements, unless otherwise stated. Below is a summary of the principal accounting policies applied for the preparation of the Financial Statements.

6.4.1.1 Statement of Compliance

The Financial Statements have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.

6.4.1.2 Historical Cost Convention

The Financial Statements are prepared under the historical cost convention except for derivative liability (see Note 2.12.1(3) of the 2021G audited consolidated financial statements for basis of measurement), lease liabilities (see Note 2.10 of the 2021G audited consolidated financial statements for basis of measurement) and employee benefit obligations (see Note 2.21 of the 2021G audited consolidated financial statements for basis of measurement).

6.4.1.3 New and Amended Standards Adopted by the Group

The Group has applied the following standards and interpretations for the first time for the financial year ended 31 December 2021G:

- Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39; and
- COVID-19 related Rent Concessions - Amendments to IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

6.4.1.4 Standards Issued but not yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021G reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

6.4.2 Basis of Consolidation

6.4.2.1 Subsidiary

The audited consolidated financial statements comprise the financial statements of the Company and the Subsidiary. 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:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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-off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if any. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets and liabilities of the subsidiary;
- 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; and
- reclassifies the parent's share of component previously recognised in other comprehensive income 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.

6.4.2.2 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6.4.3 Summary of Significant Accounting Policies

6.4.3.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue from performance of services is recognised in the accounting period in which the services are rendered. The Group has concluded that it is the principal in its revenue arrangement since it is the prime obligor and is exposed to credit risk.

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

IFRS 15 requires that revenue is recognised from contracts with customers based on the following five step model as follows:

- identification of contracts with customer;
- identification of performance obligations in the contract;
- determination of transaction price;
- allocation of transaction price to performance obligations in the contract; and
- recognition of revenue when the Company satisfies the performance obligation.

The Group has the following revenue streams:

A- Drilling Revenue

Revenue against drilling services is recorded over time as the customers simultaneously receive and consume the related benefit, using the output method where the customers sign the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customers upon acknowledgement of the receipt of services.

The Group allocates the transaction price, based on stand-alone selling prices, related to its drilling revenue which contain both leasing and service elements. Revenue from such leasing arrangements is recorded in the statement of comprehensive income on a straight-line basis over the period of the respective lease.

B- Rig Move Revenue

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

C- Mobilisation Revenue

Mobilisation revenue represents fee for initial mobilisation of rigs. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfil the drilling services mentioned above.

Accordingly, mobilisation revenues are recognised as contract liabilities and are amortised over the term of the respective contracts with customers for drilling services.

D- Catering and Other Revenue

The Group sub-contracts its manpower to its customers based on pre-agreed unit rates. Revenue against such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the time sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

6.4.3.2 Foreign Currencies

A- Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("**functional currency**"). The Group's cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in USD, The Directors believes that USD is the currency with the most influence over the Group's operations. Accordingly, USD is considered to be the functional currency of the Group.

The Directors has elected to prepare the consolidated financial statements in SAR which is the Group's presentation currency and believes that there is no translation impact on the consolidated financial statements since SAR is pegged to USD.

B- Transactions and Balances

Foreign currency transactions are translated into SAR using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than SAR are recognised in statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

6.4.3.3 Current v. Non-Current Classification

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

- it is either expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; and
- the asset is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The Group classifies all other assets as non-current. A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be settled within 12 months after the reporting period; and
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

6.4.3.4 Finance Income

Finance income is measured using the effective interest rate method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

6.4.3.5 Zakat and Income Taxes

In accordance with the regulations of the ZATCA, the Group is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the consolidated statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Aramco are subject to the Saudi Arabian Income Tax Law of 2004. Consequently, the Group is also subject to income tax for the indirect shareholding of 2.33 per cent. of Saudi Aramco, being a shareholder in TAQA, which is charged to profit or loss and allocated to TAQA in the consolidated statement of changes in equity.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.4.3.6 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Property and equipment are depreciated, less their estimated residual value, to allocate their cost on a straight-line basis over the estimated useful lives of the assets. Depreciation expense is charged to the statement of profit or loss under expenses in line with the function of the property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. Major spare parts and stand-by equipment qualify for recognition as property and equipment when the Group expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised as construction-in-progress. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of an item of construction-in-progress comprises its purchase price, construction, development costs and any other directly attributable costs to the construction or acquisition of an item of construction-in-progress intended by Management. Construction-in-progress is not depreciated.

6.4.3.7 Intangible Assets

Intangible assets represent software cost and are amortised using straight-line method over their estimated useful life of seven years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the economic useful 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 the end of each annual reporting period. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognised in profit or loss statement when the asset is derecognised.

6.4.3.8 Leases

A- Lease Liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of- use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

B- Right-of-Use Assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

C- The Group as Lessor

The Group provides drilling services to its customers including rental and service components.

i- Lease income

The lease portion of drilling services is recognized in revenue on a straight-line basis over the term of the lease. Drilling contracts do not include any variable lease payments or escalation clauses.

ii- Mobilization Costs - Direct Initial Costs of the Lessor

Mobilization costs represent the cost incurred on the initial commissioning of the rigs. These activities do not constitute a separate service for customers but are necessary to deliver the drilling services. Accordingly, the commissioning costs are recognized as direct initial costs of the lessor and amortized over the term of the relevant drilling contracts.

6.4.3.9 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

6.4.3.10 Financial Instruments

A- Financial Assets

i- Classification

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

ii- Recognition and Derecognition

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

iii- Measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

B- Financial Liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss statement.

C- Derivative Financial Instruments and Hedge Accounting

Derivatives are measured at fair value and any related transaction costs are recognised in profit or loss statement. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in a separate reserve shown under equity. The amount accumulated in equity is reclassified to profit or loss statement in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognised in profit or loss statement, within other operating income (or loss).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

D- Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the assets and liabilities simultaneously.

6.4.3.11 Impairment of Financial and Non-Financial Assets

A- Impairment of Non-Financial Assets

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 asset's or cash-generating unit's 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 cash generating unit's 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 profit or loss statement in those expense categories consistent with the function of the impaired asset.

B- Impairment of Financial Assets

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

For trade receivables and contract assets, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Group's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected rate of increase in inflation for the upcoming year in the Kingdom as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due.

Other financial assets are considered to have low credit risk; therefore, 12 months expected loss model is used for impairment assessment.

6.4.3.12 Inventories

Inventories principally represent spare parts and consumables, which are carried at the lower of cost or net realisable value. Cost is determined using the weighted average method. At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognised immediately in profit or loss statement. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilisation in future.

6.4.3.13 Trade Receivables

Trade receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses.

6.4.3.14 Cash and Cash Equivalents

For the purpose of consolidated statement of financial position and presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.4.3.15 Share Capital

Ordinary shares are classified as equity.

6.4.3.16 Trade Payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

6.4.3.17 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

6.4.3.18 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the year in which they are incurred in profit or loss statement.

6.4.3.19 Employee Benefit Obligations

The Company and the Subsidiary operate their respective single post-employment benefit schemes of defined benefit plan driven by the labour laws and workman laws of the Kingdom which are based on employee's most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of liability at discount rates used are recognised immediately in profit or loss statement.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss statement as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Saudi Arabia.

6.4.3.20 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors assesses the financial performance and position of the Company, and makes strategic decisions. The Board of Directors has been identified as being the Chief Operating Decision Maker.

Segment results reported to the Group's Chief Operating Decision Maker represent revenue and cost of revenue and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6.4.3.21 Earnings per Share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

6.4.3.22 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

6.4.4 Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below.

6.4.4.1 Employee Benefit Obligations

The management of the Company has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details, see Note 21 of the 2021G audited consolidated financial statements.

6.4.4.2 Impairment of Property and Equipment

- In accordance with the accounting policy set out in Note 2.13.1 of the 2021G audited consolidated financial statements, the management of the Company tests assets or cash-generating units for impairment when there are indications of impairment. Events or changes in circumstances that may indicate that an asset or cash-generating unit is primarily impaired include, among other indicators, the following:a significant decrease in the market prices of services rendered by the Group;
- a significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected future cash inflows; and
- a current-period operating loss combined with a history and forecast of operating or cash flow losses.

The management of the Company determines the recoverable amount of the assets based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group. The Directors has performed a sensitivity analysis around the estimates. There are no estimates to a which a reasonably possible change may cause the carrying value to exceed the recoverable value of the assets resulting in an impairment loss in future periods.

6.4.4.3 Useful Lives of Property and Equipment

The Group's management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates.

The following table sets forth estimated useful lives, in years, of the principal groups of depreciable assets:

Table (6.1): Estimated Useful Lives, in Years, of the Principal Groups of Depreciable Assets

	Years
Buildings and portable cabins	10 - 33
Rig, machinery and equipment	7 - 30
Furniture, fixtures and office equipment	7
Vehicles and trucks	4 - 7

Source: The Company.

As of 31 December 2021G, if the useful lives increased or decreased by 10.0 per cent. against the current useful lives with all other variables held constant, the profit for the year would have been higher or lower by SAR 53.9 million.

During the financial year ended 31 December 2021G, the Company's in-house technical team concluded on the results of a detailed exercise to re-assess the useful lives of rigs, machinery and equipment, considering multiple factors including technological changes, historical usage of similar assets and other recent changes in the market conditions. As a result of such exercise, the Company's management revised the useful life range of its rigs, machinery and equipment from "7 - 20 years" to "7 - 30 years" with effect from 1 January 2021G, considering it to be a change in accounting estimate. As a result, the depreciation charge and cost of revenue for the financial year ended 31 December 2021G decreased by SAR 199.2 million and the profit and total comprehensive income for the financial year ended 31 December 2021G increased by SAR 199.2 million compared to what it would have been using the previous useful life range.

6.5 Results of Operations

The following tables set forth a summary of the financial information and key performance indicators of the Group for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.2): Consolidated Statement of the Group's Comprehensive Income for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the Financial Year Ended 31 December		
	2019G	2020G	2021G
Summary of consolidated statement of comprehensive income			
Revenue	2,814,276	2,532,567	2,198,969
Cost of revenue	(2,256,105)	(2,009,469)	(1,730,058)
Impairment losses	(19,270)	-	-
Gross profit	**538,900**	**523,098**	**468,910**
Impairment losses on financial assets	(17,145)	(551)	-
General and administrative expenses	(139,122)	(123,800)	(105,357)
Other operating gain/(loss), net	(2,425)	1,143	(164)
Operating profit	**380,208**	**399,889**	**363,389**
Financial costs	(100,825)	(62,717)	(37,986)
Financial income	-	927	1,343
Financial costs, net	**(100,825)**	**(61,790)**	**(36,643)**
Profit before zakat and income tax	**279,383**	**338,099**	**326,747**
Zakat expense	(8,566)	(10,478)	(20,626)
Income tax expense	(40,397)	(33,547)	(32,538)
Profit for the year	230,420	294,074	273,584
Other comprehensive income / (loss)	(5,398)	279	22,128
Total comprehensive income	**225,022**	**294,352**	**295,711**
KPIs			
Gross Profit Margin (%)	19.1%	20.7%	21.3%
Operating Profit Margin (%)	13.5%	15.8%	16.5%
Net Profit Margin (%)	8.2%	11.6%	12.4%

Source: The Financial Statements and management information.

Table (6.3): Consolidated Statement of Group Financial Position as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the Financial Year Ended 31 December		
	2019G	2020G	2021G
Statement of financial position			
Total non-current assets	5,846,512	5,583,072	5,268,578
Total current assets	1,480,060	1,358,937 (1)	1,275,363
Total assets	**7,326,571**	**6,942,009 (1)**	**6,543,941**
Total equity	**3,626,699**	**3,912,167**	**4,191,769**
Total non-current liabilities	2,209,459	1,878,063	1,319,556
Total current liabilities	1,490,414	1,151,780 (1)	1,032,617
Total liabilities	**3,699,872**	**3,029,843 (1)**	**2,352,173**
Total liabilities and equity	**7,326,571**	**6,942,009 (1)**	**6,543,941**
KPIs			
Return on Assets (%)	3.1%	4.2%	4.2%
Return on Equity (%)	6.4%	7.5%	6.5%
Current Assets to Current Liabilities	1.0	1.2	1.2
Liabilities to Equity	1.0	0.8	0.6
Debt to equity	0.7	0.5	0.3

Source: The Financial Statements and management information.

(1) The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and Zakat payable in line with the revised classification in the audited consolidated financial statements for the financial years ended 31 December 2021G.

Table (6.4): Summary of the Group's Consolidated Statement of Cash Flows for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December			Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
	2019G	2020G	2021G		
Net cash inflow from operating activities	794,569	1,435,963	635,095	80.7%	(55.8)%
Net cash outflow from investing activities	(570,408)	(486,322)	(228,219)	(14.7)%	(53.1)%
Net cash outflow from financing activities	(81,728)	(531,393)	(634,775)	550.2%	19.5%
Cash and cash equivalents at beginning of year	78,840	221,273	639,521	180.7%	189.0%
Cash and cash equivalents at end of year	**221,273**	**639,521**	**411,621**	**189.0%**	**(35.6%)**

Source: The Financial Statements and management information.

6.5.1 Consolidated Statement of Comprehensive Income

The following table sets forth the Group's consolidated statement of comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.5): Consolidated Statement of Group Comprehensive Income for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December			Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
	2019G	2020G	2021G			
Revenue	2,814,276	2,532,567	2,198,969	(10.0)%	(13.2)%	(11.6)%
Cost of revenue	(2,256,105)	(2,009,469)	(1,730,058)	(10.9)%	(13.9)%	(12.4)%
Impairment losses	(19,270)	-	-	(100.0)%	-	(100.0)%
Gross profit	**538,900**	**523,098**	**468,910**	**(2.9)%**	**(10.4)%**	**(6.7)%**
Impairment of financial assets	(17,145)	(551)	-	(96.8)%	(100.0)%	(100.0)%
General and administrative expenses	(139,122)	(123,800)	(105,357)	(11.0)%	(14.9)%	(13.0)%
Other operating income/(expenses), net	(2,425)	1,143	(164)	147.1%	(114.3)%	(74.0)%
Operating profit	**380,208**	**399,889**	**363,389**	**5.2%**	**(9.1)%**	**(2.2)%**
Finance costs	(100,825)	(62,717)	(37,986)	(37.8)%	(39.4)%	(38.6)%
Finance income	-	927	1,343	-	44.9%	-
Finance costs, net	**(100,825)**	**(61,790)**	**(36,643)**	**(38.7)%**	**(40.7)%**	**(39.7)%**
Profit before zakat and income tax	**279,383**	**338,099**	**326,747**	**21.0%**	**(3.4)%**	**(8.1)%**
Zakat expense	(8,566)	(10,478)	(20,626)	22.3%	96.8%	55.2%
Income tax expense	(40,397)	(33,547)	(32,538)	(17.0)%	(3.0)%	(10.3)%
Profit for the year	**230,420**	**294,074**	**273,584**	**27.6%**	**(7.0)%**	**9.0%**
Items that may be reclassified to profit or loss:						
Fair value changes in derivative liability	(17,356)	(2,034)	10,692	(88.3)%	625.8%	-
Items that will not be reclassified to profit or loss:						
Remeasurement of employee benefit obligations	13,326	2,577	12,743	(80.7)%	394.5%	(2.2)%
Impact of deferred tax	(1,368)	(265)	(1,307)	(80.7)%	394.2%	(2.2)%
Other comprehensive income / (loss) for the year	**(5,398)**	**279**	**22,128**	**105.2%**	**7,833.8%**	**-**
Total comprehensive income for the year	225,022	294,352	295,711	30.8%	0.5%	14.6%
KPIs						
Gross profit margin	19.1%	20.7%	21.3%			
EBITDA margin	35.7%	44.7%	41.4%			
Net profit margin	8.2%	11.6%	12.4%			
As a % of revenue						
Cost of revenue	80.2%	79.3%	78.7%			
General and administrative expenses	4.9%	4.9%	4.8%			

Source: The Financial Statements and management information.

6.5.1.1 Revenue

The Group operates principally in the following two reportable operating segments:

- Onshore segment, which includes provision of drilling and related services through onshore rigs. Onshore drilling activities require the use of onshore rigs which are each valued from SAR 112.5 million to SAR 225 million, depending on rig age, specifications, design, and other factors. Onshore drilling is a mechanical process where a well is drilled on land through underlying bedrock utilising a stationary land rig to explore for and extract oil or natural gas operating in the Kingdom.
- Offshore segment, which includes provision of drilling and related services through offshore rigs. Offshore drilling activities require the use of offshore jack-up rigs which are each valued from SAR 375.0 million to SAR 937.5 million, depending on rig age, specifications, design, and other factors. In the offshore segment, the Group mainly operates on the shores off the Eastern coast of the Kingdom and the Saudi Arabia-Kuwait Neutral Zone.

Other non-reportable segmental information almost exclusively includes services provided by the Subsidiary related to the rig move services as part of the onshore rigs drilling contract execution. The vast majority of such services are provided to, and therefore the related revenues are earned from, the Group's onshore segment which are eliminated at a consolidated level.

A- Revenue by Operating Segments

The following table presents the Group's revenue by segment for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.6): Group's Revenue by Segment for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the Financial Year Ended 31 December			Increase/ (Decrease) (2019G-2020G)		CAGR (2019G-2021G)
	2019G[1]	2020G	2021G			
Onshore	2,129,163	1,874,917	1,643,422	(11.9)%	(12.3)%	(12.1)%
Offshore	679,909	653,464	552,535	(3.9)%	(15.4)%	(9.9)%
Others[1]	151,628	187,831	173,684	23.9%	(7.5)%	7.0%
Intersegment eliminations[2]	(146,422)	(183,647)	(170,673)	25.4%	(7.1)%	8.0%
Total revenue	**2,814,276**	**2,532,567**	**2,198,969**	**(10.0)%**	**(13.2)%**	**(11.6)%**
As a % of revenue						
Onshore	75.7%	74.0%	74.7%			
Offshore	24.2%	25.8%	25.1%			
Others	5.4%	7.4%	7.9%			
Intersegment eliminations	(5.2)%	(7.3)%	(7.8)%			
No of active onshore rigs	38	29	31			
No of active offshore rigs	6	6	6			
Average day rates for onshore rigs	132	129	125			
Average day rate for offshore rigs	317	293	265			
Average utilisation[3] rate for onshore rigs	100.0%	86.2%	75.4%			
Average utilisation[3] rate for offshore rigs	68.8%	85.7%	81.0%			

Source: The audited consolidated financial statements for the financial years ended 31 December 2021G and management information.

(1) The 2021G and 2020G segmental information has been sourced from the audited consolidated financial statements for the financial years ended 31 December 2021G. The information in respect of 2019G has been sourced from management information.

(2) Other represents Subsidiary's revenue for the financial period while intersegment eliminations relate to the services provided by the Subsidiary to Arabian Drilling.

(3) The average utilisation rate of the Company's fleets (onshore and offshore, respectively) is calculated as: (i) the aggregate number of months in which each rig in such fleet is operational under a contract (provided that a rig is considered to be operational for an entire month where it is operational for any part of such month), divided by: (ii) the total number of months in the year multiplied by the number of rigs in such fleet. For purposes of this calculation, rigs that were suspended and stacked for any period during the year are included, and rigs held for sale are excluded.

As of 31 December 2021G, the Group had 38 onshore rigs and seven offshore rigs (six jack up rigs and one self-propelled MPSV) for well intervention and well testing services. As of 31 December 2021G there were two additional offshore rigs which were classified as held for sale.

The Group's operating and reportable segments are as follows:

- Onshore

Onshore revenue decreased by 11.9 per cent., or SAR 254.2 million, from SAR 2,129.2 million in 2019G to SAR 1,874.9 million in 2020G due to (i) a decrease in the number of active onshore rigs from 38 in 2019G to 29 in 2020G, which was primarily driven by the suspension of seven Saudi Aramco rigs and (ii) the decrease in the average day rates from SAR 132,106 in 2019G to SAR 129,344 in 2020G. Both the reduction in rig activity and day rates in 2020G compared to 2019G were as a result of the COVID-19 pandemic and corresponding oil price and oil demand collapse, which resulted in reductions in Saudi Aramco's exploration and product expenditure for the period.

Onshore revenue further decreased by 12.3 per cent., or SAR 231.5 million to SAR 1,643.4 million in 2021G due to: (i) the effect of the rig suspensions occurred in second half of 2020G being reflected during a longer period in 2021G; and (ii) a decrease in the average day rates from SAR 129,344 in 2020G to SAR 124,606 in 2021G as a result of temporary discounts provided for four reactivated rigs in the last quarter of 2021G to Saudi Aramco (the remaining three rigs were still suspended as of 31 December 2021G).

- Offshore

Offshore revenue decreased by 3.9 per cent., or SAR 26.4 million, from SAR 679.9 million in 2019G to SAR 653.5 million in 2020G due to the decrease in drilling revenue by 5.5 per cent. (or SAR 36.4 million) offset by an increase in mobilisation revenue by 34.5 per cent. (or SAR 3.7 million) and an increase in other revenue by 60.3 per cent. (or SAR 6.2 million). The decrease in drilling revenue was mainly due to the decrease in day rates from SAR 317,206 in 2019G to SAR 292,750 in 2020G as Saudi Aramco requested discounts for its onshore and offshore fleet in response to the declining oil market demand. This decrease was slightly offset by the addition of offshore rig AD70, which started its drilling contract in June 2019G and was therefore fully operational in 2020G, allowing it to generate additional revenue of SAR 54.4 million compared to 2019G.

Offshore revenue further decreased by 15.4 per cent., or SAR 100.9 million to SAR 552.5 million in 2021G due to a further reduction in the day rates from SAR 292,750 in 2020G to SAR 265,250 in 2021G mainly driven by discounts provided to Saudi Aramco's AD60 rig resulting in a reduction of 36.0 per cent. in its day rate in 2021G.

- Others

Others include revenue from the Subsidiary's rig move services along with eliminations related to inter-group operations. Intersegment eliminations include the revenue generated from rig move services performed by the Subsidiary for the Company, which ultimately gets eliminated on a consolidated level.

B- Revenue by Streams

Drilling activities are the primary contributor of the Group's revenues over this period, comprising 79.3 per cent., 77.5 per cent. and 75.0 per cent. of the Group's total revenues for the financial years ended 31 December 2019G, 2020G and 2021G, respectively.

Rig moves are the second biggest contributor to the Group's revenues. For the financial years ended 31 December 2019G, 2020G and 2021G, 15.5 per cent., 17.8 per cent. and 19.3 per cent., respectively, of the Group's total revenues were derived from rig move revenue.

The following table sets forth the Group's onshore revenue by stream for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.7): Group's Onshore Revenue by Stream for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the three financial years ended 31 December			Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	
	2019G	2020G	2021G			
Onshore						
Drilling revenue	1,571,890	1,340,137	1,136,701	(14.7)%	(15.2)%	(15.0)%
Rig move revenue	431,084	447,735	420,851	3.9%	(6.0)%	(1.2)%
Mobilisation revenue	71,030	51,200	22,291	(27.9)%	(56.5)%	(44.0)%
Catering and other revenue	55,158	35,845	63,579	(35.0)%	77.4%	7.4%
Total onshore revenue	**2,129,163**	**1,874,917**	**1,643,422**	**(11.9)%**	**(12.3)%**	**(12.1)%**
As a % of onshore revenue						
Drilling revenue	73.8%	71.5%	69.2%			
Rig move revenue	20.2%	23.9%	25.6%			
Mobilisation revenue	3.3%	2.7%	1.4%			
Catering and other revenue	2.6%	1.9%	3.9%			

Source: Management information.

- **Onshore drilling revenue** decreased by SAR 231.8 million (or 14.7 per cent.), to SAR 1.3 billion in 2020G primarily due to: (i) SAR 190.3 million from the suspension of seven Saudi Aramco onshore rigs in the second half of 2020G (namely AD16, AD31, AD32, AD34, AD35, AD47, and AD49) in the second half of 2020G as drilling demand declined due to COVID-19; and (ii) SAR 27.3 million from the stacking of AD44 and AD28 rigs as they were out of contract in February 2020G and July 2020G, respectively.

  Onshore drilling revenue further decreased by SAR 203.4 million (or 15.2 per cent.) to SAR 1.1 billion in 2021G primarily due to: (i) SAR 147.8 million from the suspension of the seven Saudi Aramco onshore rigs (namely AD16, AD31, AD32, AD34, AD35, AD47, and AD49) for the majority of 2021G as a result of the decline in drilling demand due to COVID-19; (ii) SAR 12.5 million from the full year impact of stacking the AD28 rig compared to half a year in 2020G; and (iii) SAR 28.9 million from the stacking of two additional rigs (AD54 and AD63) as Schlumberger released them earlier than anticipated due to earlier completion of drilling activities in their respective wells.
- **Rig move revenue** increased by SAR 16.7 million (or 3.9 per cent.), to SAR 447.7 million in 2020G, due to longer rig moves being performed: 11,847 km compared to 10,438 km in 2019G. Rig move revenue decreased by SAR 26.9 million (or 6.0 per cent.), to SAR 420.9 million in 2021G, due to shorter rig moves performed in 2021G (10,604 km) compared to 2020G (11,847 km).
- **Mobilisation revenue** decreased by SAR 19.8 million (or 27.9 per cent.), to SAR 51.2 million in 2020G, due to the decrease in amortised mobilisation revenue recorded in 2020G as some rigs were close to the end of their contracts while few were fully amortised as the contracts have completed. Mobilisation revenue further decreased by SAR 28.9 million (or 56.5 per cent.), to SAR 22.3 million in 2021G, due to the decrease in the mobilisation revenue as all mobilised rigs have reached the end of their contractual period and were therefore fully amortised.
- **Catering and other revenue** decreased by SAR 19.3 million (or 35.0 per cent.), to SAR 35.8 million in 2020G, due to the suspension of seven Saudi Aramco rigs which therefore decreased catering revenue. Catering and other revenue increased by SAR 27.7 million (or 77.4 per cent.), to SAR 63.6 million primarily due to an increase in the catering revenue by SAR 20.0 million as previously disputed invoices with Schlumberger were agreed and recognised in 2021G.

The following table sets forth the Group's offshore revenue by stream for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.8): Group's Offshore Revenue by Stream for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December			Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
	2019G	2020G	2021G			
Offshore						
Drilling revenue	658,928	622,567	513,500	(5.5)%	(17.5)%	(11.7)%
Mobilisation revenue	10,616	14,283	14,248	34.5%	(0.2)%	15.9%
Catering and other revenue	10,366	16,614	24,787	60.3%	49.2%	54.6%
Total offshore revenue	679,909	653,464	552,535	(3.9)%	(15.4)%	(9.9)%
As a % of offshore revenue						
Drilling revenue	96.9%	95.3%	93.1%			
Mobilisation revenue	1.6%	2.2%	2.6%			
Catering and other revenue	1.5%	2.5%	4.5%			

Source: Management information.

- **Offshore drilling revenue** decreased by SAR 36.4 million (or 5.5 per cent.), to SAR 622.6 million in 2020G primarily due to: (i) SAR 50.2 million from the combined effects of the decrease in average day rates (due to discounts provided to Saudi Aramco) and the temporary suspension of the offshore AD60 rig; (ii) SAR 18.0 million from the discounts provided to Saudi Aramco's AD50 rig); and (iii) SAR 18.7 million decrease in revenue from swapping AD08 rig withAD80 rig. These decreases have been partly offset by SAR 47.6 million from the full year revenue impact of AD70 rig, compared to half a year of operation in 2019G.
- **Offshore drilling revenue** further decreased by SAR 109.1 million (or 17.5 per cent.), to SAR 513.5 million in 2021G primarily due to: (i) SAR 44.6 million from the decline in revenue of AD17 rig as it was sent to the shipyard for maintenance for a period of three months; and (ii) SAR 58.2 million from decrease in average day rates of AD60 rig, as Saudi Aramco requested further discounts.
- **Mobilisation revenue** increased by SAR 3.6 million (or 34.5 per cent.) to SAR 14.3 million in 2020G due to certain procedures performed (i.e., transportation costs, maintenance costs, engineering costs, etc.) in order to prepare rigs AD70 and AD80 for operation, which were subsequently amortised as mobilisation revenue over the period of their respective contracts. Mobilisation revenue remained stable from 2020G to 2021G as two of the mobilised rigs (AD70 and AD80) were active for full two years.
- **Catering and other revenue** increased by SAR 6.3 million (or 60.3 per cent.) in 2020G, mainly due to the full year impact of AD70's catering revenue in 2020G, as the rig was stacked for the first half of the 2019G. Catering and other revenue further increased by SAR 8.5 million (or 49.2 per cent.) in 2021G mainly due to more meals served as the number of guests, engineers, certifiers increased on the rig, compared to 2020G which had less meals served due to COVID-19 restrictions.

C- Revenue by Customers

The following table sets forth the Group's revenue by customer for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.9): Group's Revenue by Customer for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December			Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
	2019G	2020G	2021G			
Saudi Aramco	1,835,452	1,507,142	1,191,444	(17.9)%	(20.9)%	(19.4)%
Schlumberger	836,196	883,462	859,962	5.7%	(2.7)%	1.4%
KJO	137,424	133,427	139,288	(2.9)%	4.4%	0.7%
Other[1]	5,204	8,536	8,274	64.0%	(3.1)%	26.1%
Total revenue	**2,814,276**	**2,532,567**	**2,198,969**	**(10.0)%**	**(13.2)%**	**(11.6)%**
Number of Saudi Aramco active rigs	24	15	19			
Number of Schlumberger active rigs	18	18	16			
Number of KJO active rigs	2	2	2			
As a % of revenue						
Saudi Aramco	65.2%	59.5%	54.2%			
Schlumberger	29.7%	34.9%	39.1%			
KJO	4.9%	5.3%	6.3%			
Other	0.2%	0.3%	0.4%			

Source: The audited consolidated financial statements for the financial years ended 31 December 2021G and management information.

(1) Other represents uneliminated revenues in relation to services provided by the Subsidiary.

For the year 2021G, 99.6 per cent. of the Group's total revenue was derived from the Group's top three customers, with 54.2 per cent., 39.1 per cent. and 6.3 per cent. of the Group's total revenue deriving from Saudi Aramco, Schlumberger and KJO respectively (as compared to 59.5 per cent. 34.9 per cent. and 5.3 per cent., respectively, for the year 2020G).

Revenue from Saudi Aramco decreased by SAR 328.3 million, from SAR 1,835.4 million in 2019G to SAR 1,507.1 million in 2020G, mainly due to the decrease in drilling revenue by SAR 268.1 million (12.0 per cent.) in 2020G driven by a decline in overall fleet utilisation from 94.6 per cent. in 2019G to 86.1 per cent. in 2020G principally due to the temporary suspension of seven rigs contracted with Saudi Aramco in the second half of 2020G. Revenue from Saudi Aramco further decreased by SAR 315.7 million in 2021G as drilling revenue decreased by SAR 312.5 million (15.9 per cent.) in 2021G primarily due to the suspension of the seven Saudi Aramco rigs for the majority of the financial year 2021G as drilling activity reduced due to COVID-19.

Schlumberger's revenue increased by SAR 47.3 million, from SAR 836.2 million in 2019G to SAR 883.5 million in 2020G, primarily due to: (i) an increase in rig move revenue as more rig moves were performed for Schlumberger in 2020G compared to 2019G; and (ii) an increase in Schlumberger rigs' utilisation hours compared to 2019G as the rigs were still new and not fully operational in 2019G.

Schlumberger's revenue decreased by SAR 23.5 million, from SAR 883.5 million in 2020G to SAR 860.0 million in 2021G, primarily due to: (i) the decrease in amortisation of mobilisation as the rigs were close to their contract expiration, meaning lower mobilised revenue recognised in 2021G; and (ii) the stacking of rigs AD54 and AD63 in the third quarter of 2021G as the drilling work completed earlier than anticipated. This was offset by the increase in catering revenue as aged and disputed invoices were recognised in 2021G. See Section 6.4.3 (*Summary of Significant Accounting Policies*) for the explanation of the mobilisation process and policy.

D- Revenue - Backlog of Orders

The total backlog of orders as of 31 December 2021G was SAR 2.4 billion, of which Saudi Aramco accounted for 64.1 per cent., Schlumberger accounted for 31.1 per cent. and KJO accounted for 4.8 per cent., respectively. See Section 4.5.5.3 (*Backlog*) for further details.

6.5.1.2 Cost of Revenue

A- Cost of Revenue by Operating Segments

The following table presents the Group's segmental cost of revenue for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.10): Group's Cost of Revenue by Segment for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Onshore	1,830,310	1,573,573	1,361,264	(14.0)%	(13.5)%	(13.8)%
Offshore	436,782	473,885	399,976	8.5%	(15.6)%	(4.3)%
Others[1]	135,436	145,657	139,490	7.5%	(4.2)%	1.5%
Intersegment cost[2]	(146,422)	(183,647)	(170,673)	25.4%	(7.1)%	8.0%
Total cost of revenue	**2,256,105**	**2,009,469**	**1,730,058**	**(10.9)%**	**(13.9)%**	**(12.4)%**
As a % of cost of revenue						
Onshore	81.1%	78.3%	78.3%			
Offshore	19.4%	23.6%	23.1%			
Others	6.0%	7.2%	8.1%			
Intersegment cost	(6.5)%	(9.1)%	(9.9)%			

Source: The audited consolidated financial statements for the financial years ended 31 December 2021G and management information.

(1) Others include the cost of revenue related to the Subsidiary.

(2) Intersegment cost is the elimination of cost incurred by Arabian Drilling in relation to the cost of rig move services provided by the Subsidiary to the Company. This cost is eliminated from the cost included in the Onshore segment upon consolidation.

The Group's cost of revenue for its operating segments are as follows:

- **Onshore cost of revenue:** The decrease of SAR 256.7 million (or 14.0 per cent.) in the onshore segment cost of revenue in 2020G compared to 2019G was primarily due to the suspension of seven Saudi Aramco rig from the second half of 2020G which resulted in a decrease in salaries and benefits due to reduction in headcount and a decrease in rent and repairs and maintenance, and due to cost reduction initiatives adopted which led to headcount reductions and some contracts being revised and renegotiated.

  The decrease of SAR 212.3 million (or 13.5 per cent.) in the onshore segment cost of revenue in 2021G compared to 2020G, was principally due to: (i) seven out of the eight suspended Saudi Aramco onshore rigs were suspended from the second half of 2020G through the majority of 2021G, which resulted in a decrease in salaries and benefits, rent and repairs and maintenance; (ii) the full year impact of the cost reduction initiatives that started in 2020G, which resulted in some contracts being revised and renegotiated; and (iii) the decrease in depreciation charges booked in 2021G compared to 2020G in connection with the change in accounting estimates of useful lives of onshore rigs, which resulted in the extension of their useful lives from 15 years to 25 years. The increase in profits due to change in this accounting estimate was SAR 120.6 million.

- **Offshore cost of revenue:** The increase of SAR 37.1 million (or 8.5 per cent.) in the offshore segment cost of revenue in 2020G compared to 2019G was primarily due to: (i) the increase in depreciation expenses of AD80 and AD30 with an impact of SAR 34.7 million, due to the capitalisation of their refurbishment costs in the first quarter of 2020G; and (ii) SAR 2.7 million from the increase in mobilisation costs for AD70 and AD80 as the rigs operated for full year in 2020G. The above was partially offset by measures of a cost reduction initiative adopted in 2020G which resulted headcount reductions and some contracts being revised and renegotiated.

  The decrease of SAR 73.9 million (or 15.6 per cent.) in the offshore segment cost of revenue in 2021G compared to 2020G was primarily due to: (i) the full year effect of the cost reduction initiative that was adopted in 2020G; and (ii) the decrease in depreciation charges booked in 2021G compared to 2020G in connection with the change in accounting estimated period over which offshore rigs are depreciated being extended from 20 years to 30 years. The increase in profits due to change in this accounting estimate was SAR 78.6 million.

B- Cost of Revenue by Key Components

The Group's cost of revenue comprises salaries, wages and benefits, depreciation costs, repairs and maintenance costs, transportation charges, mobilisation cost, rig move expense, provision for slow-moving inventories and other expenses.

The following table sets forth the Group's cost of revenue for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.11): Group's Cost of Revenue for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December						
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Salaries, wages and benefits	1,134,861	945,858	908,930	(16.7)%	(3.9)%	(10.5)%
Depreciation	612,765	718,171	533,930	17.2%	(25.7)%	(6.7)%
Maintenance and material consumed	209,565	103,565	92,289	(50.6)%	(10.9)%	(33.6)%
Transportation	199,830	148,886	119,552	(25.5)%	(19.7)%	(22.7)%
Mobilisation cost	51,423	39,667	20,539	(22.9)%	(48.2)%	(36.8)%
Provision against non-refundable advances	-	-	6,709			
Rig move expense	12,262	22,717	5,821	85.3%	(74.4)%	(31.1)%
Provision for inventory obsolescence	-[1]	3,248[1]	14,664		351.5%	
Other	35,400[1]	27,356[1]	27,625	(22.7)%	1.0%	(11.7)%
Total cost of revenue	**2,256,105**	**2,009,469**	**1,730,058**	**(10.9)%**	**(13.9)%**	**(12.4)%**
As a % of revenue						
Cost of revenue	80.2%	79.3%	78.7%			

Source: The Financial Statements.

[1] The numbers for the financial year ended 31 December 2020G were reclassified from "other" cost of revenue to the "provision for inventory obsolescence" in line with the revised classification in the audited consolidated financial statements for the financial years ended 31 December 2021G. The numbers for the financial year ended 31 December 2019G were reclassified from provision for inventory obsolescence to "other" cost of revenue in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2020G.

Comparison of year ended 31 December 2020G and year ended 31 December 2019G

The decrease of SAR 246.6 million (or 10.9 per cent.) in the Group's cost of revenue in 2020G compared to 2019G principally reflected a decrease of SAR 189.0 million (or 16.7 per cent.) in salaries, wages and benefits, a decrease of SAR 106.0 million (or 50.6 per cent.) in maintenance and material consumed and a decrease of SAR 50.9 million (or 25.5 per cent.) in transportation charges. Additionally, the decrease was partially offset by an increase in the depreciation by SAR 105.4 million (or 17.2 per cent.).

The 2020G cost savings initiatives included: (i) reductions in employee compensation and benefits package (including cost of living allowances); (ii) existing contract re-negotiations (covering catering, equipment rental and medical services); (iii) alternative sourcing of spare equipment at more competitive prices; (iv) VAT refunds; (v) optimising utilisation of internal resources and equipment; and (vi) release of rental equipment. Such decrease offset by an increase of SAR 105.4 million (17.2 per cent.) in depreciation mainly as a result of capitalisation of completed shipyard projects as of 31 December 2019G (AD30 and AD80).

Comparison of year ended 31 December 2021G and year ended 31 December 2020G

The decrease of SAR 279.4 million (or 13.9 per cent.) in the Group's cost of revenue in 2021G compared to 2020G principally reflected a decrease of SAR 184.2 million (or 25.7 per cent.) in depreciation charges, a decrease of SAR 36.9 million (or 3.9 per cent.) in salaries, wages and benefits, a decrease of SAR 29.3 million (or 19.7 per cent.) in transportation charges, a decrease of SAR 19.1 million (or 48.2 per cent.) in mobilisation cost, a decrease of SAR 16.9 million (or 74.4 per cent.) in rig move expenses and a decrease of SAR 11.3 million (or 10.9 per cent.) in maintenance and material consumed. Additionally, the decrease was partially offset by an increase of SAR 11.4 million (or 351.5 per cent.) in provision for inventory.

C- Salaries, Wages and Benefits

Salaries, wages and benefits decreased by SAR 189.0 million, or 16.7 per cent., to SAR 945.9 million in 2020G as compared to 2019G as a result of decreasing the headcount due to suspension of operations and COVID19, and the reduction in cost-of-living allowance, as part of a cost reduction initiative. In 2021G they further reduced to SAR 908.9 million (or 3.9 per cent.) due to the decrease in headcount as seven out of the eight suspended Saudi Aramco onshore rigs were suspended for the majority of the year.

D- Depreciation

From 2019G to 2020G, depreciation increased by SAR 105.4 million, or 17.2 per cent., to SAR 718.2 million due to capital expenditure incurred by the Group. In 2021G depreciation decreased to SAR 533.9 million (or 25.7 per cent.) due to an increase in the estimated useful lives of fixed assets, which resulted in lower depreciation amounts compared to the prior years. See Section 6.3.8 (*Change in Accounting Estimates of Useful Lives of Property and Equipment*) for more details.

E- Maintenance and Material Consumed

In 2020G, maintenance and material consumed decreased by SAR 106.0 million to SAR103.6 million, (or 50.6 per cent.), as compared to 2019G due to the suspension of several rigs as noted above with consequent reduction in expenditure. In 2021G expenditure further declined by SAR 11.3 million, or 10.9 per cent., to SAR 92.3 million due to lower maintenance and routine check-ups as a result of the suspension of the seven Saudi Aramco rigs for the majority of 2021G.

F- Transportation Charges

From 2019G to 2020G, rent decreased by SAR 50.9 million, or 25.5 per cent., to SAR 148.9 million, due to a decrease in truck, crane and boat expenses, car and trucks expenses, security services and drilling equipment rental due to the suspension of some trucks and vehicles due to the suspension of seven Saudi Aramco rigs and due to the renegotiation of the vehicles and trucks contracts. Transportation charges further decreased to SAR 119.6 million, (or 19.7 per cent.) in 2021G due to the suspension of some vehicles leasing contracts for the majority of the year in relation to seven out of the eight suspended Saudi Aramco onshore rigs.

G- Mobilisation Cost

Mobilisation cost decreased by SAR 11.8 million, or 22.9 per cent., to SAR 39.7 million in 2020G from SAR 51.4 million in 2019G, due to some onshore rigs had a lower amortisation as their contracts were approaching completion, while other onshore rigs were fully amortised as their contracts have completed. In 2021G mobilisation cost further declined by SAR 19.1 million, or 48.2 per cent., to SAR 20.5 million due to the completion of the depreciation of all onshore rigs that were subject to depreciation as the contract periods with their customer ended. Prior to the start of a drilling contract, costs are incurred to prepare the rig to commence its drilling operation (i.e., transportation costs, engineering costs, maintenance costs, certification costs and other related costs). Such costs are capitalised and are then amortised over the period of the contract. In 2020G and 2021G, many of the contracts were expired or were near expiration, resulting in depreciation expense either decreasing significantly or decreasing to nil. The carried forward mobilisation costs in 2019G was SAR 61.2 million which reduced to SAR 25.5 million in 2020G and further reduced to SAR 5.0 million in 2021G.

H- Other Expenses

Other expenses primarily included waste disposal expenses, other service costs, other office expenses and other miscellaneous expenses.

The Group's other expenses decreased from SAR 35.4 million in 2019G to SAR 27.4 million, a decrease of SAR 8.0 million, or 22.7 per cent., in 2020G compared to 2019G mainly due to a decrease in miscellaneous office expenses, other services costs and other expenses related to professional fees. Other expenses remained stable between 2020G and 2021G.

6.5.1.3 Gross Profit

The following table presents the Group's segmental gross profit by operating segments for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.12): Group's Gross Profit by Segment for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Onshore	298,853	301,344	282,158	0.8%	(6.4)%	(2.8)%
Offshore	243,127	179,580	152,558	(26.1)%	(15.0)%	(20.8)%
Others[1]	16,191	42,174	34,194	160.5%	(18.9)%	45.3%
Total gross profit	558,171	523,098	468,910	(6.3)%	(10.4)%	(8.3)%
Gross margin						
Onshore	14.0%	16.1%	17.2%			
Offshore	35.8%	27.5%	27.6%			

Source: The Financial Statements and management information.

(1) Others include profit earned on rig move transactions undertaken by the Subsidiary, while the related revenue is eliminated within the onshore segment.

Gross profit for the onshore segment remained substantially flat in 2020G, with an increase of SAR 2.5 million (or 0.8 per cent.), from SAR 298.9 million in 2019G to SAR 301.3 million in 2020G. The profitability year on year was preserved as the result of lower cost of revenues for the onshore segment primarily due to combined effect of lower rig activity as well as cost reduction initiatives, which offset the lower onshore rig revenue due to rig suspensions and lower day rates, as discussed above in more detail.

Gross profit for the onshore segment decreased by SAR 19.2 million (or 6.4 per cent.), from SAR 301.3 million in 2020G to SAR 282.2 million in 2021G, as a result of lower onshore rig revenue due to the lower activity, which was partly offset by a lower cost of revenue of the onshore segment primarily due to the decrease in depreciation charges and the cost reduction initiatives adopted in 2020G.

Gross profit for the offshore segment in 2020G decreased by SAR 63.5 million (or 26.1 per cent.), from SAR 243.1 million in 2019G to SAR 179.6 million in 2020G, primarily driven by the increase in cost of revenue for the offshore segment primarily due to the increase in depreciation expenses, and, the decrease in offshore revenue mainly due to lower average day rates and lower rig activity.

Gross profit for offshore rigs decreased by SAR 27.0 million (or 15.0 per cent.), from SAR 179.6 million in 2020G to SAR 152.6 million in 2021G, primarily due to lower day rates and lower offshore rig activity. The above was partly offset by lower cost of revenue resulting from the decrease in depreciation charges and the full year effect of the cost reduction initiatives that were adopted in 2020G.

6.5.1.4 General and Administrative Expenses

The Group's general and administrative expenses principally comprise salaries and benefits, professional services, depreciation, amortisation, office supplies and other expenses. The depreciation included in general and administrative expenses was mainly related to the office furniture and equipment and amortisation was mainly related to the software costs, which is being amortised over its estimated useful life of seven years.

Salaries and benefits account for 66.9 per cent. of total general and administrative expenses, on average, for the financial years ended 31 December 2019G, 2020G and 2021G.

The following table sets forth the Group's general and administrative expenses for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.13): Group's General and Administrative Expenses for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Salaries and benefits	89,368	77,082	78,289	(13.7)%	1.6%	(6.4)%
Depreciation	7,384	8,354[1]	8,096	13.1%	(3.1%)	4.7%
Amortisation	5,451	5,751	5,764	5.5%	0.2%	2.8%
Professional services	16,232	6,234	3,644	(61.6)%	(41.5)%	(52.6)%
Office supplies	4,123	2,996	3,282	(27.3)%	9.5%	(10.8)%
Other	16,564	23,383[1]	6,283	41.2%	(73.1)%	(38.4)%
Total general and administrative expenses	**139,122**	**123,800**	**105,357**	**(11.0)%**	**(14.9)%**	**(13.0)%**
As a % of revenue						
General and administrative expenses	4.9%	4.9%	4.8%			

Source: The Financial Statements.

[1] The numbers for the financial year ended 31 December 2020G were reclassified from depreciation to "other" general and administrative expense in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G

The Group's general and administrative expenses were SAR 139.1 million in 2019G compared to SAR 123.8 million in 2020G and SAR 105.4 million in 2021G.

Comparison of year ended 31 December 2020G and year ended 31 December 2019G

The decrease of SAR 15.3 million (or 11.0 per cent.) in the Group's general and administrative expenses in 2020G compared to 2019G principally reflected a decrease of SAR 12.3 million (or 13.7 per cent.) in salaries and benefits and a decrease of SAR 10.0 million (or 61.6 per cent.) in professional services as a result of one-off costs associated with merger & acquisition activities in 2019G.

Comparison of year ended 31 December 2021G and year ended 31 December 2020G

The decrease of SAR 18.4 million (or 14.9 per cent.) in the Group's general and administrative expenses in 2021G compared to 2020G principally reflected a decrease of SAR 17.1 million (or 73.1 per cent.) in other general and administrative expenses and a decrease of SAR 2.6 million (or 41.5 per cent.) in professional services.

A- Salaries and Benefits

From 2019G to 2020G, salaries and benefits decreased by SAR 12.3 million to SAR 77.1 million, or 13.7 per cent., due to a significant reduction in headcount as eight rigs were temporarily suspended by Saudi Aramco and six further rigs were idle or stacked driven by a slowdown in business resulting from COVID-19. Furthermore, the Group reduced the cost-of-living allowance for existing employees as a part of cost reduction initiatives in 2020G. In 2021G, salaries and benefits increased by SAR 1.2 million, or 1.6 per cent., to SAR 78.3 million mainly due to additional headcount compared to 2020G.

B- Depreciation

From 2019G to 2021G, depreciation and amortisation had a CAGR of 4.7 per cent., primarily driven by reclassifications of fixed assets from operations to head office, which therefore increased the depreciation expenses.

C- Amortisation

From 2019G to 2021G, amortisation had a CAGR of 2.8 per cent., primarily driven by additions and updates of SAP programs, which therefore increased the amortisation expenses.

D- Professional Services

From 2019G to 2020G, professional services decreased by SAR 10.0 million, or 61.6 per cent., to SAR 6.2 million, as the one-off costs of the assessment of an investment made in 2019G were not repeated in 2020G. In 2021G professional services expenditure further reduced by SAR 2.6 million, or 41.5 per cent., to SAR 3.6 million due to lower professional tax services performed in 2021G compared to 2020G.

E- Other Expenses

Other expenses primarily included miscellaneous office expenses, donations, other service costs and other miscellaneous general and administrative expenses.

From 2019G to 2020G, other expenses increased by SAR 6.8 million, or 41.2 per cent., to SAR 23.3 million primarily due to an increase in COVID-19 related contingencies of SAR 9.4 million due to accruals for certain contingent liabilities related to COVID-19, which was partially offset by a SAR 2.3 million decrease in outside freight and clearing expenses. In 2021G other expenses decreased by SAR 17.1 million, or 73.1 per cent., to SAR 6.3 million primarily due to the reversal of certain contingent liabilities related to COVID-19.

6.5.1.5 Operating Profit

The Group's operating profit increased from SAR 380.2 million in 2019G to SAR 399.9 million in 2020G, an increase of SAR 19.7 million, or 5.2 per cent., in 2020G compared to 2019G mainly due to the impairment losses on fair value assessment of rigs of SAR 19.3 million (nil in 2020G), impairment losses on financial assets of SAR 17.1 million (SAR 0.6 million in 2020G) recorded in 2019G and decrease in the general and administrative expenses by SAR 15.3 million, offset by a decline in the gross profits by SAR 15.8 million.

The Group's operating profit decreased from SAR 399.9 million in 2020G to SAR 363.4 million in 2021G, a decrease of SAR 36.5 million, or 9.1 per cent., mainly due to a decrease in the general and administrative expenses by SAR 18.4 million, offset by a decline in the gross profits by SAR 54.2 million.

See Section 6.5.1.3 (*Gross Profit*) for more details on the decline in the gross profits in 2020G and 2021G compared to 2019G.

6.5.1.6 Finance Costs

The following table sets forth the Group's finance costs for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.14): Group's Finance Costs for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December						
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Financial costs on Murabaha loans	94,579	46,773	26,569	(50.5)%	(43.2)%	(47.0)%
Financial costs on derivatives	2,465	14,332	11,041	481.4%	(23.0)%	111.6%
Financial costs on lease liabilities	358	247	190	(31.0)%	(23.1)%	(27.1)%
Other finance costs	3,423	1,365	186	(60.1)%	(86.4)%	(76.7)%
Total finance costs	**100,825**	**62,717**	**37,986**	**(37.8)%**	**(39.4)%**	**(38.6)%**

Source: The Financial Statements.

Finance costs mainly include the interest expenses related to Murabaha loans, interest rate swaps and lease liabilities.

The Group's finance costs were SAR 100.8 million in 2019G, compared to SAR 62.7 million in 2020G and SAR 38.0 million in 2021G.

Comparison of year ended 31 December 2020G and year ended 31 December 2019G

The decrease of SAR 38.1 million (or 37.8 per cent.), in the Group's finance costs in 2020G compared to 2019G principally reflected by: (i) a lower average principal outstanding, as a result of the repayment of SAR 508.3 million in principal in 2020G; and (ii) a decrease of SAR 47.8 million (or 50.5 per cent.) in finance costs on Murabaha loans, which reflected the reduced SAIBOR rate (which decreased from an average of 2.6 per cent. in 2019G to 1.2 per cent. in 2020G). This decrease was partially offset by an increase of SAR 11.9 million (or 481.4 per cent.) in derivatives, as a result of the difference between fixed interest payments and variable interest receipts under certain interest rate swap agreements.

Comparison of year ended 31 December 2021G and year ended 31 December 2020G

The decrease of SAR 24.7 million (or 39.4 per cent.), in the Group's finance costs in 2021G compared to 2020G principally reflected by (i) a lower average principal outstanding, as a result of the repayment of SAR 631.6 million in principal made in 2021G; and (ii) a decrease of SAR 20.2 million (or 43.2 per cent.) in finance costs on Murabaha loans, which reflected the reduced SAIBOR average rate (which decreased from an average 1.2 per cent. in 2020G to 0.8 per cent. in 2021G). The decrease in the Group's finance costs was also due to the decrease in finance costs on derivatives by SAR 3.3 million (or 23.0 per cent.) and a decrease of other finance costs by SAR 1.2 million (or 86.4 per cent.).

6.5.1.7 Income Tax Expense

The following table sets forth the Group's income tax expense for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.15): Group's Income Tax Expense for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December						
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Current tax	1,272	9,085	4,695	614.2%	(48.3)%	92.1%
Deferred tax charged to profit or loss	39,125	24,462	27,843	(37.5)%	13.8%	(15.6)%
Total income tax expense	**40,397**	**33,547**	**32,538**	**(17.0)%**	**(3.0)%**	**(10.3)%**

Source: The Financial Statements.

In accordance with the regulations of the ZATCA, the Group is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the consolidated statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Aramco are subject to Saudi Arabian income tax law. Therefore, the Group is also subject to income tax for the indirect shareholding of 2.33 per cent. of Saudi Aramco being a shareholder in TAQA, which is expensed and allocated to TAQA in the statement of changes in equity.

A- Current Tax

In 2020G, current tax increased by SAR 7.8 million, or 614.2 per cent., due to lower deductible expenses and higher taxable income during 2020G compared to 2019G.

In 2021G, current tax decreased by SAR 4.4 million, or 48.3 per cent., due to a reduction in the operations during 2021G resulting in a lower taxable income.

B- Deferred Tax Charged to Profit or Loss

In 2020G, deferred tax charged to the income statement decreased by SAR 14.7 million, or 37.5 per cent., due to lower capex additions and, a receivable write-off of SAR 20.9 million in relation to aged Saudi Aramco (SAR 12.7 million) and Schlumberger (SAR 8.2 million) invoices which were deemed uncollectible.

In 2021G, deferred tax charged to the income statement increased by SAR 3.4 million, or 13.8 per cent., due to the change in estimate of useful lives of onshore and offshore rigs and due to the additions to the property and equipment in 2021G.

6.5.1.8 Profit for the Year

Reflecting the above factors, the Group's profit increased from SAR 230.4 million in 2019G to SAR 294.1 million in 2020G, an increase of SAR 63.7 million, or 27.6 per cent., in 2020G compared to 2019G. The Group's profit decreased from SAR 294.1 million in 2020G to SAR 273.6 million in 2021G, a decrease of SAR 20.5 million, or 7.0 per cent.

6.5.1.9 Other Comprehensive Income

The following table sets forth the Group's other and total comprehensive income for the years ended 31 December 2019G, 2020G and 2021G.

Table (6.16): Group's Total comprehensive Income for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December						
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Profit for the year	230,420	294,074	273,584	27.6%	(7.0)%	9.0%
Item that may be reclassified to profit or loss:						
Fair value changes in derivative liability	(17,356)	(2,034)	10,692	88.3%	625.8%	-
Items that will not be reclassified to profit or loss:						
Remeasurements of employee benefit obligations	13,326	2,577	12,743	(80.7)%	394.5%	(2.2)%
Impact of deferred tax	(1,368)	(265)	(1,307)	(80.7)%	393.2%	(2.2)%
Other comprehensive income/(loss) for the year	(5,398)	279	22,128	105.2%	7,833.8%	-
Total comprehensive income for the year	225,022	294,352	295,711	30.8%	0.5%	14.6%

Source: The Financial Statements.

Items that may be reclassified subsequently to net income were SAR (17.4) million, SAR (2.0) million and SAR 10.7 million for the years ended 31 December 2019G, 2020G and 2021G, respectively, related to the fair value changes in cash flow hedge. The fair value changes in the cash flow hedge were related to the interest rate swap arrangement designated as a cash flow hedge instrument to cover cash flow fluctuations arising from variable interest rate Murabaha loans. The interest rate swap results in the Group receiving floating SAIBOR while paying a 2.9 per cent. fixed rate of interest under certain conditions. As per Group policy, derivative instruments are not used for trading or speculative purposes.

Items that will not be reclassified to net income were SAR 12.0 million, SAR 2.3 million and SAR 11.4 million for the years ended 31 December 2019G, 2020G and 2021G, respectively, related to the remeasurements of employee benefit obligations and impact of deferred taxes. The remeasurement of employee benefit obligations are performed based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom. The valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2019G, 2020G and 2021G.

6.5.1.10 Adjusted EBITDA and Adjusted Profits

The Group supplements its use of IFRS financial measures with non-IFRS financial measures, including EBITDA, adjusted EBITDA and adjusted profits. These non-IFRS financial measures do not have a standardised definition and other companies may calculate them differently. Therefore, the Group's nonIFRS financial measures may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. The Group believes that the historical non-IFRS financial measures are useful as an additional tool to help management and investors make informed decisions about the Group's operating performance.

The following table sets forth the Group's adjusted profit for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.17): Group's Adjusted Profit for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December		
	2019G	2020G	2021G
Profit for the year	230,420	294,074	273,584
Adjustments			
Impairment losses	19,270	-	-
Adjusted profit	249,690	294,074	273,584

Source: The Financial Statements and management information.

Adjusted profit for the year was SAR 249.7 million, SAR 294.1 million and SAR 273.6 million in 2019G, 2020G and 2021G, respectively. Adjustments represented impairment losses, as these were considered nonrecurring in nature. Impairment losses in 2019G were related to rigs AD90 and AD100, which were classified as held for sale and were carried at fair value less cost to sell while the Group was actively looking for a buyer. The impairment losses were determined based on the difference between carrying amount and fair value less cost to sell.

The following table sets forth the Group's adjusted EBITDA for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.18): Adjusted Group EBITDA for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December		
	2019G	2020G	2021G
Profit for the year	230,420	294,074	273,584
Add back			
Finance costs, net	100,825	61,790	36,643
Zakat and tax expense	48,963	44,025	53,163
Depreciation and amortisation	625,600	732,276	547,790
EBITDA	1,005,807	1,132,165	911,179
Onshore EBITDA	585,909	668,722	534,543
Offshore EBITDA	384,938	393,633	306,624
Other EBITDA	34,961	69,810	70,011
EBITDA margin	35.7%	44.7%	41.4%
Adjustments			
Impairment losses	19,270	-	-
Adjusted EBITDA	1,025,078	1,132,165	911,179
Onshore EBITDA	585,909	668,722	534,543
Offshore EBITDA	404,208	393,633	306,624
Other EBITDA	34,961	69,810	70,011
EBITDA margin	36.4%	44.7%	41.4%

Source: The Financial Statements and management information.

Adjusted EBITDA was SAR 1,025.1 million, SAR 1,132.2 million and SAR 911.2 million in 2019G, 2020G and 2021G, respectively. Adjustments represented impairment losses, as these were considered nonrecurring in nature.

6.5.1.11 Segmented EBITDA

Table (6.19): Group's Onshore EBITDA for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	2019G	2020G	2021G	For the financial year ended 31 December		
				Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Revenues	2,129,163	1,874,917	1,643,422	(11.9)%	(12.3)%	(12.1)%
Cost of revenue	(1,830,310)	(1,573,573)	(1,361,264)	(14.0)%	(13.5)%	(13.8)%
Gross profit	298,853	301,344	282,157	0.8%	(6.4)%	(2.8)%
General and administrative expenses	(98,262)	(88,113)	(86,350)	(10.3)%	(2.0)%	(6.3)%
Other income/ loss	(13,989)	4,162	936	129.8%	(77.5)%	-
Operating income	186,603	217,394	196,743	16.5%	(9.5)%	2.7%
Add back						
Depreciation and amortisation on rigs	365,423	407,151	302,300	11.4%	(25.8)%	(9.0)%
Depreciation and amortisation on support functions	33,883	44,177	35,500	30.4%	(19.6)%	2.4%
EBITDA	585,909	668,722	534,543	14.1%	(20.1)%	(4.5)%

Source: Management information.

Table (6.20): Group's Offshore EBITDA for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December			Increase/	Increase/	CAGR (2019G-2021G)
	2019G	2020G	2021G	(Decrease) (2019G-2020G)	(Decrease) (2020G-2021G)	
Revenue	679,909	653,464	552,535	(3.9)%	(15.4)%	(9.9)%
Cost of revenue	(436,782)	(473,885)	(399,976)	8.5%	(15.6)%	(4.3)%
Gross profit	243,127	179,580	152,558	(26.1)%	(15.0)%	(20.8)%
General and administrative expenses	(35,212)	(31,838)	(14,644)	(9.6)%	(54.0)%	(35.5)%
Other income/(loss)	(4,467)	1,451	315	132.5%	(78.3)%	-
Impairment losses	(19,270)	-	-	(100.0)%	-	(100.0)%
Operating income	184,178	149,192	138,230	(19.0)%	(7.3)%	(17.6)%
Add back:						
Depreciation and amortisation on rigs	189,941	229,044	156,460	20.6%	(31.7)%	(9.2)%
Depreciation and amortisation on support functions	10,820	15,397	11,935	42.3%	(22.5)%	5.0%
Impairment losses	19,270	-	-	(100.0)%	-	(100.0)%
EBITDA	404,208	393,633	306,624	(2.6)%	(22.1)%	(12.9)%

Source: Management information.

Table (6.21): Group's Other EBITDA for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Revenues	151,628	187,831	173,684	23.9%	(7.5)%	7.0%
Cost of revenue	(135,436)	(145,657)	(139,490)	7.5%	(4.2)%	1.5%
Gross profit	**16,191**	**42,174**	**34,194**	**160.5%**	**(18.9)%**	**45.3%**
General and administrative expenses	(5,943)	(3,913)	(4,363)	(34.2)%	11.5%	(14.3)%
Other income/ loss	(821)	(4,959)	(1,415)	504.1%	(71.5)%	31.3%
Operating income	**9,428**	**33,303**	**28,416**	**253.2%**	**(14.7)%**	**73.6%**
Add back						
Depreciation and amortisation on rigs	25,533	36,507	41,595	43.0%	13.9%	27.6%
Depreciation and amortisation on support functions	-	-	-	-	-	-
EBITDA	**34,961**	**69,810**	**70,011**	**99.7%**	**0.3%**	**41.5%**

Source: Management information.

Table (6.22): Group's Onshore plus Other EBITDA for the Financial Years Ended 31 December 2019G, 2020G and 2021G (as the Group reports other non-reportable segment results within onshore segment for business reporting purposes):

SAR in 000s	For the financial year ended 31 December			Increase/	Increase/	CAGR (2019G-2021G)
	2019G	2020G	2021G	(Decrease) (2019G-2020G)	(Decrease) (2020G-2021G)	
Revenue	2,280,790	2,062,749	1,817,106	(9.6)%	(11.9)%	(10.7)%
Cost of revenue	(1,965,746)	(1,719,231)	(1,500,754)	(12.5)%	(12.7)%	(12.6)%
Gross profit	**315,044**	**343,518**	**316,352**	**9.0%**	**(7.9)%**	**0.2%**
General and administrative expenses	(104,204)	(92,025)	(90,713)	(11.7)%	(1.4)%	(6.7)%
Other loss	(14,810)	(796)	(478)	(94.6)%	(39.9)%	(82.0)%
Operating income	**196,031**	**250,697**	**225,160**	**27.9%**	**(10.2)%**	**7.2%**
Add back						
Depreciation and amortisation on rigs	390,956	443,658	343,895	13.5%	(22.5)%	(6.2)%
Depreciation and amortisation on support functions	33,883	44,177	35,500	30.4%	(19.6)%	2.4%
EBITDA	**620,869**	**738,531**	**604,555**	**19.0%**	**(18.1)%**	**(1.3)%**

Source: Management information.

6.5.2 Consolidated Statement of Financial Position

The following table sets forth the Group's consolidated statement of financial position as of 31 December 2019G, 2020G and 2021G:

Table (6.23): Group's Consolidated Statement of Financial Position as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	As of 31 December				
	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Property and equipment, net	5,799,454	5,562,212	5,258,884	(4.1)%	(5.5)%
Intangible assets	16,883	11,132	5,518	(34.1)%	(50.4)%
Right-of-use assets	7,717	4,757	1,792	(38.4)%	(62.3)%
Mobilisation cost	22,458	4,972	2,385	(77.9)%	(52.0)%
Total non-current assets	**5,846,512**	**5,583,072**	**5,268,578**	**(4.5)%**	**(5.6)%**
Inventories	167,257	157,930	143,329	(5.6)%	(9.2)%
Trade and other receivables	1,041,710	522,540[1]	695,842	(49.0)%	33.2%
Advance income tax	-	7,372[1]	14,191	(54.6)%	92.5%
Mobilisation cost	38,784	20,539	2,587	(47.0)%	(87.4)%
Cash and cash equivalents	221,273	639,521	411,621	189.0%	(35.6)%
Non-current assets held for sale	11,037	11,037	7,793	-	(29.4)%
Total current assets	**1,480,060**	**1,358,937[1]**	**1,275,363**	**(8.2)%**	**(6.1)%**
Total assets	**7,326,571**	**6,942,009[1]**	**6,543,941**	**(5.2)%**	**(5.7)%**
Share capital	22,580	22,580	22,580	-	-
Additional paid-in capital	97,421	97,421	97,421	-	-
Statutory reserve	18,884	18,884	18,884	-	-
Fair value reserve against derivative liability	(13,099)	(15,133)	(4,441)	(15.5)%	70.7%
Retained earnings	3,500,914	3,788,415	4,057,325	8.2%	7.1%
Total equity	**3,626,699**	**3,912,167**	**4,191,769**	**7.9%**	**7.1%**
Murabaha borrowings	1,735,479	1,377,434	835,618	(20.6)%	(39.3)%
Lease liabilities	4,778	1,810	-	(62.1)%	(100.0)%
Employee benefit obligations	247,626	252,653	250,966	2.0%	(0.7)%
Mobilisation revenue	38,975	14,424	5,965	(63.0)%	(58.6)%
Deferred tax liability	153,501	178,227	207,377	16.1%	16.4%
Trade payables	16,001	38,381	15,190	139.9%	(60.4)%
Derivative liability	13,099	15,133	4,441	15.5%	(70.7)%
Total non-current liabilities	**2,209,459**	**1,878,063**	**1,319,556**	**(15.0)%**	**(29.7)%**
Trade payables and other payables	622,383	462,537	456,551	(25.7)%	(1.3)%
Current portion of Murabaha borrowings	794,065	639,623	545,473	(19.4)%	(14.7)%
Current portion of lease liabilities	2,947	3,029	1,847	2.8%	(39.0)%
Mobilisation revenue	62,470	36,539	8,459	(41.5)%	(76.8)%
Zakat payable	8,548	10,053[1]	20,287	17.6%	101.8%
Total current liabilities	**1,490,414**	**1,151,780[1]**	**1,032,617**	**(22.7)%**	**(10.3)%**
Total liabilities	**3,699,872**	**3,029,843[1]**	**2,352,173**	**(18.1)%**	**(22.4)%**
Total equity and liabilities	**7,326,571**	**6,942,009[1]**	**6,543,941**	**(5.2)%**	**(5.7)%**

Source: The Financial Statements.

[1] The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and zakat payable in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

6.5.2.1 Non-Current Assets

The following table sets forth the Group's non-current assets as of 31 December 2019G, 2020G and 2021G:

Table (6.24): Group's Non-current Assets as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	As of 31 December				
	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Property and equipment, net	5,799,454	5,562,212	5,258,884	(4.1)%	(5.5)%
Intangible assets	16,883	11,132	5,518	(34.1)%	(50.4)%
Right-of-use assets	7,717	4,757	1,792	(38.4)%	(62.3)%
Mobilisation cost	22,458	4,972	2,385	(77.9)%	(52.0)%
Total non-current assets	5,846,512	5,583,072	5,268,578	(4.5)%	(5.6)%

Source: The Financial Statements.

Non-current assets include property and equipment, intangible assets, right-of-use assets, capitalised mobilisation costs and the fair value of the cash flow hedge. Property and equipment accounts for 99.8 per cent. of total non-current assets as of 31 December 2021G.

A- Net Property and Equipment

Property and equipment include rigs, machinery and equipment, construction-in-progress, land, buildings and portable cabins, furniture, fixtures and office equipment. The Group's property and equipment decreased from SAR 5.8 billion as of 31 December 2019G to SAR 5.6 billion as of 31 December 2020G, primarily due to the depreciation expenses of SAR 723.6 million offset by the addition of SAR 486.3 million under construction in progress mainly relating to the overhauling and refurbishment of the AD30 and AD80 rigs. The Group's property and equipment decreased to SAR 5.3 billion as of 31 December 2021G, primarily due to the depreciation of SAR 539.1 million charged in 2021G, offset by additions to property and equipment of SAR 247.6 million.

The Company has leased assets consisting of vehicles and a warehouse, see Section 6.5.2.1(c) (*Right-of-Use Assets*).

The following table sets forth the Group's gross book value, accumulated depreciation and net book value of property and equipment as of 31 December 2019G, 2020G and 2021G:

Table (6.25): Group's Gross Book Value, Accumulated Depreciation and Net Book Value of Property and Equipment of the Group as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	As of 31 December		
	2019G	2020G	2021G
Rig, machinery and equipment	10,351,408	10,888,784	10,826,218
Construction-in-progress	193,435	142,309	131,521
Land	88,236	88,236	88,236
Buildings and portable cabins	86,183	86,183	99,386
Vehicles and trucks	159,020	159,020	145,672
Furniture, fixtures and office equipment	105,967	106,039	111,019
Gross book value	10,984,249	11,470,571	11,402,051
Rig, machinery and equipment	(5,035,682)	(5,724,930)	(5,939,859)
Buildings and portable cabins	(17,928)	(20,275)	(22,780)
Vehicles and trucks	(83,490)	(107,579)	(116,269)
Furniture, fixtures and office equipment	(47,696)	(55,575)	(64,259)
Accumulated depreciation	(5,184,795)	(5,908,359)	(6,143,167)
Rig, machinery and equipment	5,315,727	5,163,853	4,886,358
Construction-in-progress	193,435	142,309	131,521

SAR in 000s	As of 31 December		
	2019G	2020G	2021G
Land	88,236	88,236	88,236
Buildings and portable cabins	68,255	65,908	76,606
Vehicles and trucks	75,530	51,441	29,403
Furniture, fixtures and office equipment	58,271	50,464	46,760
Net book value	5,799,454	5,562,212	5,258,884

Source: The Financial Statements.

i- Rigs, Machinery and Equipment

The net book value of rigs, machinery and equipment accounted for 92.9 per cent. of the total property and equipment net book value as of 31 December 2021G, and it includes six offshore rigs, one MPSV and 38 onshore rigs as of 31 December 2021G.

As of 31 December 2020G, the net book value of rigs, machinery and equipment decreased by SAR 151.9 million, due to the net effect of transfers of SAR 537.4 million from construction in progress and depreciation of SAR 689.2 million. As of 31 December 2021G, the net book value of rigs, machinery and equipment decreased by SAR 277.5 million, primarily due the net impact of transfers from construction in progress and Assets Held for sale of SAR 62.5 million, a net of depreciation charge for the year and Assets Held for sale of SAR 214.9 million.

As of the date of this Prospectus, the Company entered into two bareboat charter agreements (a type of rig lease agreement) for the purpose of rental of two offshore drilling rigs at an annual amount of SAR 33 million per drilling rig for a (renewable) period of three years starting from the date of commencement of operations, after the delivery of any of the drilling rigs. The drilling rigs are expected to be relocated to offshore locations within the Kingdom's borders, and the associated financial impact will appear in the fourth quarter of 2022G. For more information about the two bareboat charter agreements, see Section 12.5.1 (*Agreements with Key Suppliers*).

The Company also entered into two agreements for the purchase of two additional jack-up drilling rigs for SAR 570 million (SAR 285 per drilling rig). Purchases are expected to be completed in the second half of 2022G, subject to the relevant preconditions being met. For more information about the two agreements, see Section 12.5.1 (*Agreements with Key Suppliers*). It is expected that the financial impact will appear and these two offshore rigs will be recognized as assets in the Kingdom in the second quarter of 2023G.

The following table sets forth the Group's net book value of rigs as of 31 December 2019G, 2020G and 2021G:

Table (6.26): Group's Net Book Value of Rigs as of 31 December 2019G, 2020G and 2021G:

As of 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Onshore rigs	2,943,336	2,723,460	2,596,936	(7.5)%	(4.6)%
Offshore rigs	2,257,709	2,307,520	2,115,676	2.2%	(8.3)%
Total rigs net book value	5,201,045	5,030,980	4,712,612	(3.3)%	(6.3)%

Source: Management information.

ii- Construction-in-Progress

Construction-in-progress includes the newly acquired assets, which remain within this account until the issuance of the certificate of completion and certificate of testing, indicating that the asset is ready to be used. Once the asset is ready for its intended use, it is transferred to its respective asset class account. The gross cost of an asset in construction-in-progress comprises its purchase price, construction and development costs and any other directly related costs. As of 31 December 2021G, Construction-in-progress principally represents costs incurred on procurement and construction of certain rigs, ongoing related certifications and overhauling which are expected to be completed in 2022G.

iii- Land

Land mainly relates to land used for the Company's main building and its two compounds. Land is not depreciated.

iv- Building and Prefabricated Accommodation

As of 31 December 2020G, the net book value of building and prefabricated accommodation decreased by SAR 2.3 million, due to depreciation of SAR 2.3 million. As of 31 December 2021G, the net book value of building and prefabricated accommodation increased due to the net effect of transfers of SAR 13.2 million from construction in progress and depreciation of SAR 2.5 million.

v- Cars and Trucks

As of 31 December 2020G, the net book value of cars and trucks decreased by SAR 24.1 million, due to depreciation of SAR 24.1 million. As of 31 December 2021G, the net book value of cars and trucks decreased by SAR 22.0 million due to depreciation expenses of SAR 18.3 million and a net book value of disposals of SAR 3.8 million to construction in progress.

vi- Furniture, Fixtures and Office Equipment

As of 31 December 2020G, the net book value of furniture, fixtures and office equipment decreased by SAR 7.8 million compared to 2019G, primarily due to the depreciation charge of SAR 7.9 million, whereas additions to furniture, fixtures and office equipment were minimal. As of 31 December 2021G, the net book value of furniture, fixtures and office equipment decreased by SAR 3.7 million, due to the depreciation charge of SAR 8.7 million; offset by the transfers of SAR 5.0 million from construction in progress.

B- Intangible Assets

Intangible assets represent the cost of computer software which is amortised using the straight-line method over its estimated useful life. As of 31 December 2020G the Company's intangible assets decreased primarily due to amortisation charges of SAR 5.8 million. As of 31 December 2021G, intangible assets decreased by SAR 5.6 million as compared to 2020G, primarily due to the amortisation charge of SAR 5.8 million; additions to intangible assets were minimal.

C- Right-of-Use Assets

The following table sets forth the Group's net book value of right-of-use assets as of 31 December 2019G, 2020G and 2021G:

Table (6.27): Group's Net Book Value of Right-of-use Assets as of 31 December 2019G, 2020G and 2021G:

As of 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Vehicles	6,184	3,710	1,237	(40.0)%	(66.7)%
Warehouse	1,534	1,046	555	(31.8)%	(46.9)%
Total right-of-use assets	**7,717**	**4,757**	**1,792**	**(38.4)%**	**(62.3)%**

Source: The Financial Statements.

i- Cars

As of 31 December 2020G and as of 31 December 2021G, the net book value of cars right-of-use decreased by SAR 2.5 million as compared to 31 December 2019G and 31 December 2020G respectively, due to depreciation charged in 2020G and 2021G amounting to SAR 2.5 million in each year.

ii- Warehouse

As of 31 December 2020G and as of 31 December 2021G, the net book value of warehouse right-of-use decreased by SAR 0.5 million as compared to 31 December 2019G and 31 December 2020G respectively, due to depreciation charged in 2020G and 2021G amounting to SAR 0.5 million in each year.

D- Mobilisation Cost

Mobilisation costs are incurred at the time of initial mobilisation of new or existing rigs, whereby rigs are deployed to locations to fulfil drilling services to customers. The Company recognised non-current portion of mobilisation cost on its rigs of SAR 22.5 million, SAR 5.0 million and SAR 2.4 million as of 31 December 2019G, 2020G and 2021G, respectively, which are due for amortisation after 12 months of the close of the financial years 2019G, 2020G and 2021G.

6.5.2.2 Current Assets

The following table sets forth the Group's current assets as of 31 December 2019G, 2020G and 2021G:

Table (6.28): Group's Current Assets as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Inventories	167,257	157,930	143,329	(5.6)%	(9.2)%
Trade and other receivables	1,041,710	522,540[1]	695,842	(49.0)%	33.2%
Advance income tax	-	7,372[1]	14,191	(54.6)%	92.5%
Mobilisation cost	38,784	20,539	2,587	(47.0)%	(87.4)%
Cash and cash equivalents	221,273	639,521	411,621	189.0%	(35.6)%
Non-current assets held for sale	11,037	11,037	7,793	-	(29.4)%
Total current assets	**1,480,060**	**1,358,937[1]**	**1,275,363**	**(8.2)%**	**(6.2)%**

Source: The Financial Statements.

[1] The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and zakat payable in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

Current assets include inventories, trade and other receivables, advance income tax, current portion of mobilisation cost, cash and cash equivalents and non-current assets held for sale. Cash and cash equivalents accounted for 32.3 per cent. of total current assets as of 31 December 2021G.

A- Inventories

Inventories primarily include spare parts and consumables relating to both onshore and offshore rigs. Inventories are stated at cost and are tested for impairment at the end of each annual reporting period. In case of an impairment, the inventory carrying value is reduced to the written down value, and the resulting loss is recognised in the income statement. The provision for slow moving inventory is booked based on the age of inventory, the historic usage and the expected future usage.

The Group's inventories decreased from SAR 167.3 million as of 31 December 2019G to SAR 158.0 million as of 31 December 2020G due to the reduction in operations in 2020G compared to the prior period, and active management of existing inventory to maximise usage of spares already held rather than purchasing new items.

Inventories further decreased from SAR 158.0 million as of 31 December 2020G to SAR 143.3 million as of 31 December 2021G due to reduction in operations which resulted in lower purchases compared to the prior period and the net of the provision and the write offs related to the sale of obsolete inventory.

The following table sets forth the Group's inventories as of 31 December 2019G, 2020G and 2021G:

Table (6.29): Group's Inventories as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	As of 31 December 2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Spare parts and supplies, held not for sale	187,500	178,228	166,117	(4.9)%	(6.8)%
Provision for slow-moving inventories	(20,243)	(20,299)	(22,787)	0.3%	12.3%
Inventories, net	**167,257**	**157,930**	**143,329**	**(5.6)%**	**(9.2)%**

Source: The Financial Statements.

i- Spare Parts and Supplies, Held Not for Sale

As of 31 December 2020G and 31 December 2021G, the net book value of spare parts and supplies, held not for sale decreased by SAR 9.3 million and SAR 12.1 million compared to 31 December 2019G and 31 December 2020G respectively, due to a reduction in operations as eight Saudi Aramco rigs were suspended from the second half of 2020G to the majority of 2021G, write-offs of obsolete inventory and active management of existing inventory to maximise usage of spares already held rather than purchasing new items.

ii- Provision for Slow-Moving Inventories

The following table sets forth the Group's provision for slow-moving inventories movement as of 31 December 2019G, 2020G and 2021G:

Table (6.30): Group's Provision for Slow-moving Inventories as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	Provision for slow-moving inventories movement
31 December 2019G	**20,243**
Additions in 2020G	3,248
Write-offs in 2020G	(3,192)
31 December 2020G	**20,299**
Additions in 2021G	14,664
Write-offs in 2021G	(12,175)
31 December 2021G	**22,787**

Source: The Financial Statements.

As of 31 December 2020G, the provision for slow-moving inventories slightly increased by SAR 0.1 million compared to 31 December 2019G, being the net amount of inventory provision of SAR 9.1 million partially offset by the reversal of SAR 9.0 million; Management utilised the old inventory in 2021G, which was recorded under provisions in 2020G.

As of 31 December 2021G, the provision for slow moving inventories increased by SAR 2.5 million compared to 31 December 2020G due to the net effect of additional inventory provision of SAR 14.7 million and write offs of SAR 12.2 million in relation to the sale of obsolete inventory.

B- Trade and Other Receivables

The following table sets forth the Group's trade and other receivables as of 31 December 2019G, 2020G and 2021G:

Table (6.31): Group's Trade and Other Receivables as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Trade receivables:					
Related parties	320,193	378,859[(1)]	569,385	18.3%	50.3%
Billed[1]	227,952	-[(1)]	-	(100,0)%	-
Third parties		684[(1)]	-	-	(100.0)%
Unbilled	187,849	98,886	66,668	(47.4)%	(32.6)%
Retentions receivable	250,545	2,507	4,229	(99.0)%	68.7%
Allowance for expected credit losses	(30,652)	(10,255)	(3,434)	(66.5)%	(66.5)%
Trade receivables, net	955,886	470,681	636,848	(50.8)%	35.3%
Prepayments	30,303	24,167	27,171	(20.2)%	12.4%
Zakat and income tax reimbursable from Shareholders	14,156	22,158[(2)]	26,928	56.5%	21.5%
Advance income tax	16,241	-	-		
Other	25,123	5,534[(2)]	4,894	(78.0)%	(11.6)%
Trade and other receivables, net	1,041,710	522,540[(3)]	695,842	(49.0)%	33.2%

Source: The Financial Statements.

(1) The numbers for the financial year ended 31 December 2020G were reclassified from "billed" and "third party" trade and other receivables to "related party" trade and other receivables in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

Billed receivables have been reclassified with related parties in 2020G and 2021G, as Saudi Aramco have been treated as a related party starting 2020G onwards, as it was concluded that the Group is controlled by the Government.

The Group is controlled by TAQA. During 2020G, based on an updated assessment carried out by certain shareholders of TAQA, which was also approved by TAQA's Board of Directors, it was concluded that the ultimate controlling entity of TAQA and consequently the Group is controlled by the Government.

Related parties comprise the shareholders, directors, associated companies, other entities controlled by the Government and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(2) The numbers for the financial year ended 31 December 2020G were reclassified from other trade and other receivables to Zakat and income tax reimbursable from Shareholders in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

(3) The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and zakat payable in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

i- Trade Receivables

Trade receivables accounted for 91.5 per cent. of total trade and other receivables as of 31 December 2021G.

Trade receivables include the following:

- **related party receivables:** this account relates to receivables from Schlumberger, Saudi Aramco, KJO and TAQA Well Services, which was created due to billing to customers, based on agreed payment terms;
- **unbilled receivables:** revenue is recorded based on hours multiplied by average daily rates charged. A corresponding unbilled receivables account is booked when revenue is recorded. Unbilled receivables are reclassified to billed receivables when the relevant invoices are issued to the customers;

- **retentions receivables:** historically 10.0 per cent. of the Group's invoiced amounts were retained by Saudi Aramco. These amounts were settled by Saudi Aramco within a year, after the Group's submission of its tax declarations to the tax authorities. This practice was changed from 2020G onwards, following which Saudi Aramco requires the Group to submit bank guarantees against all operating rigs; and
- **allowance for expected credit losses:** this account represents the receivables balance sheet provision, based on the expected credit losses model (adopted on 1 January 2018G), which is based on ageing of the receivable balances and credit rating of the customers, in addition to specific provision, if any (such as disputes or disagreements).

The following table sets forth the Group's Related Party accounts and other receivables as of 31 December 2019G, 2020G and 2021G:

Table (6.32): Group's Related Party Receivables as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Schlumberger Middle East S.A.	320,193	248,997	306,881	(22.2)%	23.2%
Saudi Aramco	-	100,105	230,711	-	130.5%
KJO	-	28,783	29,727	-	3.3%
TAQA Well Services, an affiliate	-	975	2,066	-	111.9%
TAQA, a shareholder	-	10,057	19,188		90.8%
Services Pétroliers Schlumberger S.A., a shareholder	-	12,101	7,740		(36.0)%
Total related parties receivables	**320,193[1]**	**401,017**	**569,313**	**25.2%**	**42.0%**

Source: The Financial Statements.

[1] The Group is controlled by TAQA. During 2020G, based on an updated assessment carried out by certain shareholders of TAQA, which was also approved by TAQA's Board of Directors, it was concluded that the ultimate controlling entity of TAQA and consequently the Group is the Government.

Related parties comprise the shareholders, directors, associated companies, other entities controlled by the Government and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

The following table sets forth the Group's expected credit losses movement as of 31 December 2019G, 2020G and 2021G:

Table (6.33): Group's Expected Credit Losses Movement as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	Expected credit losses movement
31 December 2019G	**30,652**
Additions in 2020G	551
Write-offs in 2020G	(20,949)
31 December 2020G	**10,255**
Additions in 2021G	-
Write-offs in 2021G	(6,820)
31 December 2021G	**3,434**

Source: The Financial Statements.

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and was adopted as of 1 January 2018G. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group considers any trade receivables overdue for more than 730 days to be in default and are accordingly fully provided for. The loss rates for the aging brackets are not significant. The other classes within trade and other receivable do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable. The Group does not hold any collateral as security.

As of 31 December 2020G, expected credit losses decreased by SAR 20.4 million, due to:

- reversals of SAR 9.4 million related to five Schlumberger invoices which were already provided for in 2019G as Schlumberger settled the amount to resolve the ongoing dispute.
- provisions of SAR 20.9 million written off in relation to disputed invoices of Saudi Aramco (SAR 12.7 million) and Schlumberger (SAR 8.2 million) which aged more than three years and which Management considered uncollectible; and
- this decrease was partially offset by the general expected credit losses provision of SAR 10.0 million in compliance with IFRS9.

The provision for impairment decreased by SAR 6.8 million in 2021G due to the release of SAR 6.8 million in relation to the settlement with Schlumberger in respect to the unbilled catering charges due from prior years.

The following table sets forth the Group's aging analysis of trade receivables as of 31 December 2019G, 2020G and 2021G:

Table (6.34): Group's Aging Analysis of Trade Receivables as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Not due	221,316	368,251	472,869	66.4%	28.4%
Overdue up to 90 days	668,543	87,114	128,497	(87.0)%	47.5%
Overdue for a period between 91 to 180 days	20,934	2,508	22,147	(88.0)%	783.1%
Overdue for a period between 181 to 365 days	32,078	463	16,646	(98.6)%	3,495.2%
Overdue for a period between 366 to 730 days	33,551	17,157	124	(48.9)%	(99.3)%
Over 730 days	10,117	5,444	-	(46.2)%	(100.0)%
Total trade receivables	**986,538**	**480,936**	**640,283**	**(51.3)%**	**33.1%**

Source: The Financial Statements.

Customers are allowed a credit period from the invoice date ranging from 30 to 90 days based on the agreed terms. Total trade receivables include various customers for whom there is no history of default. As of December 2019G, 2020G and 2021G, the Group's receivables mainly related to Schlumberger, Saudi Aramco and KJO.

The Group's credit risk is considered low as receivables were collected within the expected collection period, no history of significant defaults exists and the Group's main customers such as Saudi Aramco and KJO are Government owned entities, whereas Schlumberger is a reliable related party. More than 90.0 per cent. of receivables were aged within the credit terms throughout the financial years ended 31 December 2019G, 2020G and 2021G.

ii- Prepayments

Prepayments are primarily related to prepaid medical and life insurance for employees and prepayments relating to house rentals and school fees for employees.

Prepayments decreased to SAR 24.2 million as of 31 December 2020G due to the reduction in headcount mainly driven by the suspension of seven Saudi Aramco rigs and a decrease in the overall operations due to COVID-19.

Prepayments increased to SAR 27.2 million as of 31 December 2021G due to an increase in the medical insurance premium from SAR 28.8 million in 2020G to 32.8 million in 2021G.

iii- Value Added Tax Refundable

VAT arises when output tax paid to suppliers is higher than the input tax. It was higher as of 31 December 2019G due to higher capex invoices and declined to nil as of 31 December 2020G and 31 December 2021G as a corresponding liability position was created in trade and other payables.

C- Advance Net Income Tax

The Company and the Subsidiary file their Zakat and income tax declaration on an unconsolidated basis. A quarterly advance payment of 25.0 per cent. of the amount resulting from the tax liability based on the previous year return minus the withheld tax.

D- Mobilisation Cost

The Company recognised current portion of mobilisation cost on its rigs of SAR 38.8 million, SAR 20.5 million and SAR 2.6 million as of 31 December 2019G, 2020G and 2021G, respectively.

E- Cash and Cash Equivalents

The following table sets forth the Group's cash and cash equivalents as of 31 December 2019G, 2020G and 2021G:

Table (6.35): Group's Cash and Cash Equivalents as of 31 December 2019G, 2020G and 2021G:

As of 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Cash at the bank	221,232	469,430	411,559	112.2%	(12.3)%
Murabaha deposits	-	170,000	-	-	(100.0)%
Cash in hand	41	91	62	121.9%	(31.4)%
Total cash and cash equivalents	221,273	639,521	411,621	189.0%	(35.6)%

Source: The Financial Statements.

As of 31 December 2020G, cash and cash equivalents increased by SAR 418.2 million compared to 31 December 2019G, driven by higher profit before zakat and income tax generated in the period, and an increase in working capital, partially offset by capex spend and repayments of Murabaha borrowings.

As of 31 December 2021G, cash and cash equivalents decreased by SAR 227.9 million compared to 31 December 2020G, primarily driven by repayments of Murabaha borrowings.

Murabaha deposits are held with local and foreign banks and yield financial income at prevailing market rates based on SAIBOR. Murabaha deposits are denominated in SAR. See Section 6.5.3 (*Statement of Cash Flows*) for more details on cash flow statements.

F- Non-Current Assets Held for Sale

The following table sets forth the Group's non-current assets held for sale as of 31 December 2019G, 2020G and 2021G:

Table (6.36): Group's Non-Current Assets Held for Sale as of 31 December 2019G, 2020G and 2021G:

As of 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Rig AD90	5,518	5,518	-	-	(100.0)%
Rig AD100	5,518	5,518	-	-	(100.0)%
Rig AD08	-	-	5,789	-	100.0%
RigAD40	-	-	2,003	-	100.0%
Total non-current assets held for sale	11,037	11,037	7,793	-	(29.4)%

Source: The Financial Statements.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally, through a sale transaction rather than through continuing use, and a sale is considered highly probable. As per IFRS 5, non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

During 2019G, based on the approval of the Group's Board of Directors, the Group initiated a plan to actively seek buyers for two rigs previously classified under property and equipment. Accordingly, such rigs are classified as non-current assets held for sale and are carried at their fair value less cost to sell. Both rigs were held for sale as of 31 December 2019G and 2020G.

During 2021G, the rigs AD90 and AD100 were disposed of. Additionally, during the 2021G, the group initiated a plan to actively seek buyers for rigs AD08 and AD40 which were therefore classified as held for sale as of 31 December 2021G.

6.5.2.3 Non-Current Liabilities

The following table sets forth the Group's non-current liabilities as of 31 December 2019G, 2020G and 2021G:

Table (6.37): Group's Non-current Liabilities as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Murabaha borrowings	1,735,479	1,377,434	835,618	(20.6)%	(39.3)%
Lease liabilities	4,778	1,810	-	(62.1)%	(100.0)%
Employee benefit obligations	247,626	252,653	250,966	2.0%	(0.7)%
Mobilisation revenue	38,975	14,424	5,965	(63.0)%	(58.6)%
Deferred tax liability	153,501	178,227	207,377	16.1%	16.4%
Trade payables	16,001	38,381	15,190	139.9%	(60.4)%
Derivative liability	13,099	15,133	4,441	15.5%	(70.7)%
Total non-current liabilities	**2,209,459**	**1,878,063**	**1,319,556**	**(15.0)%**	**(29.7)%**

Source: The Financial Statements.

Non-current liabilities include long-term Murabaha borrowings, lease liabilities, employee benefit obligations, mobilisation revenue, deferred tax liability, trade payables and the derivative liability. Long-term Murabaha borrowings accounted for 78.5 per cent., 73.3 per cent. and 63.3 per cent. of total non-current liabilities as of 31 December 2019G, 2020G and 2021G, respectively.

A- Murabaha Borrowings

The following table sets forth the Group's long-term Murabaha borrowings as of 31 December 2019G, 2020G and 2021G:

Table (6.38): Group's Long-term Murabaha borrowings as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Murabaha borrowings	2,517,342	2,009,028	1,377,434	(20.2)%	(31.4)%
Accrued financial costs	12,202	8,030	3,656	(34.2)%	(54.5)%
Current portion presented under current liabilities	(794,065)	(639,623)	(545,473)	(19.4)%	(14.7)%
Long-term Murabaha borrowings, net	**1,735,479**	**1,377,434**	**835,618**	**(20.6)%**	**(39.3)%**

Source: The Financial Statements.

The Group has several long-term Murabaha facility agreements with commercial banks in the Kingdom with a total facility of SAR 3.7 billion (representing the total amount of principal facilities) in order to finance the capital expenditure and working capital requirements of the Group. It should be noted that the current balance of relevant banking facilities reached SAR 1.4 billion as of 31 December 2021G. These loans bear financial costs based on prevailing market rates which are based on SAIBOR. The aggregate outstanding maturities of the loans are based on their respective repayment schedules and are spread from 2021G through 2026G. The loans are secured principally by the assignment of certain trade receivables. The covenants of the borrowing facilities require the Group to maintain certain levels of financial conditions and certain other requirements. As of 31 December 2021G, the Group was in compliance with the covenants of the borrowing facilities. For more information about the Group banking facility agreements, see Section 12.6 (*Financing Agreements*)).

During 2020G, the Group signed an amendment agreement with one of the commercial banks to reschedule loan repayments amounting to SAR 295.5 million from 2020G, 2021G and 2022G. The rescheduling did not result in a substantial modification of the terms of the loan agreement.

As of 31 December 2020G, total Murabaha borrowings decreased by SAR 508.3 million compared to 31 December 2019G, due to the net repayment of SAR 508.3 million.

As of 31 December 2021G, total Murabaha borrowings further decreased by SAR 631.6 million compared to 31 December 2020G, due to the net repayment of SAR 631.6 million.

Except as disclosed in this Section, Section 6.6.2 (*Sukuk Issuance*), Section 12.6 (*Financing Agreements*), and Section 12.8 (*Sukuk Programme Agreements*), as of the date of this Prospectus, there are no other approved debt instruments that have not been issued.

The following table sets forth the Group's Murabaha borrowings by bank as of 31 December 2021G:

Table (6.39): Group's Maturity Profile of Long-term Murabaha Borrowings as of 31 December 2021G:

SAR in 000s	Financing Amount	Remaining amount as of 31 December 2021G	Financing Purpose	Guarantees	Financial Covenants
Banque Saudi Fransi	300,464 [1]	91,500	Financing the acquisition of four drilling rigs[4]	• a promissory note in favour of Banque Saudi Fransi. • an assignment of contract proceeds from four drilling rigs. • an assignment of insurance claims proceeds from four drilling rigs.	• an undertaking to maintain a maximum leverage ratio of 2.5x at all times. • an undertaking to maintain a minimum current ratio (comparing the current assets to current liabilities) of 0.9:1 at all times.
The Saudi National Bank (formerly The National Commercial Bank)	1,465,856[2]	947,604	Financing the acquisition of 15 drilling rigs	• an assignment of contract proceeds from 15 drilling rigs. • an assignment of the insurance claims proceeds and rights from the insurance policies for 15 drilling rigs. • where a drilling rig is sold, the proceeds from the sale will be transferred to The Saudi National Bank	• an undertaking to maintain a maximum leverage ratio of 2.5x. • an undertaking to maintain a minimum current ratio of 1:1 at all times.
The Saudi National Bank (formerly Samba Financial Group)	550,000[3]	338,330	Financing the acquisition of drilling rigs	• an assignment of contract proceeds from the Company's drilling rigs covering 120% of the amount available under the facilities to The Saudi National Bank (formerly Samba Financial Group).	• an undertaking to maintain a current ratio of assets to liabilities not less than 1:1. • an undertaking to maintain a ratio of debt to equity not less than 2.5:1.

Source: The Group's information.

(1) The total facilities of Banque Saudi Fransi amounted to SAR 660.4 million, including long-term loan facilities of SAR 300.5 million and other non-cash facilities such as financial and bank guarantees and interest rate swap instruments.

(2) The total facilities of The Saudi National Bank (formerly The National Commercial Bank) amounted to SAR 1.6 billion, including long-term loan facilities of SAR 1.5 billion and other non-cash facilities such as financial and bank guarantees and interest rate swap instruments.

(3) The total facilities of The Saudi National Bank (formerly Samba Financial Group) amounted to SAR 658.3 million, including long-term loan facilities of SAR 550.0 million and other non-cash facilities such as financial and bank guarantees.

(4) Under the agreement, 11 drilling rigs have the right to the assignment of receivables, but in order to meet the 100.0 per cent. assignment requirement, a total of 15 drilling rigs have been assigned to The Saudi National Bank.

The Group confirms that there are no loans or other indebtedness, including overdrafts from bank accounts, and declares that there are no secured liabilities (either secured by a personal guarantee or a non-personal guarantee or by mortgage or not), liabilities under acceptance, acceptance credits, or hire purchase commitments, except as disclosed in Section 6.5.2.3 (a) (*Murabaha Borrowings*) and Section 12.6 (*Financing Agreements*). The Group also confirms their assets are not mortgaged.

The following table sets forth the Group's maturity profile of long-term Murabaha borrowings as of 31 December 2019G, 2020G and 2021G:

Table (6.40): Group's Maturity Profile of Long-term Murabaha Borrowings as of 31 December 2019G, 2020G and 2021G:

SAR in 000s	As of 31 December		
	2019G	2020G	2021G
Years ended 31 December:			
2020G	794,065	-	-
2021G	619,943	639,623	-
2022G	477,452	549,129	545,473
2023G	240,226	430,537	437,850
2024G	176,696	176,786	176,786
2025G	176,786	176,786	176,786
2026G	44,376	44,196	44,196
Total long-term Murabaha borrowings	2,529,544	2,017,057	1,381,090

Source: The Financial Statements.

The existing long-term Murabaha facility agreements are expected to be fully repaid by 2026G.

B- Lease Liabilities

The following table sets forth the Group's lease liabilities movement as of 31 December 2019G, 2020G and 2021G:

Table (6.41): Group's Lease Liabilities Movement as of 31 December 2019G, 2020G and 2021G:

As of 31 December	
SAR in 000s	Lease liabilities movement
31 December 2019G	7,725
Additions in 2020G	-
Repayments in 2020G	(3,133)
Finance costs in 2020G	247
31 December 2020G	4,839
Additions in 2021G	-
Repayments in 2021G	(3,182)
Finance costs in 2021G	190
31 December 2021G	1,847

Source: The Financial Statements.

The Group's management entered into certain agreements which entitled the Company to right-of-use assets and obligations relating to parcels of land, buildings and vehicles. Lease liabilities are divided into two portions, current and non-current. The Company recognises rental liabilities related to lease contracts in compliance with IFRS 16.

The following table sets forth the Group's lease liabilities as of 31 December 2019G, 2020G and 2021G:

Table (6.42): Group's Lease Liabilities as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Current portion of lease liabilities	2,947	3,029	1,847	2.8%	(39.0)%
Non-current portion of lease liabilities	4,778	1,810	-	(62.1)%	(100.0)%
Total lease liabilities	7,725	4,839	1,847	(37.4)%	(61.8)%

Source: The Financial Statements.

Lease liabilities are divided into two portions, current and non-current.

As of 31 December 2020G, total lease liabilities decreased by SAR 2.9 million (or 37.4 per cent.), compared to 31 December 2019G due to the net effect of repayments of SAR 3.1 million and finance costs of SAR 0.2 million.

As of 31 December 2021G, total lease liabilities decreased by SAR 3.0 million (or 61.8 per cent.), compared to 31 December 2020G due to the net effect of repayments of SAR 3.2 million and finance costs of SAR 0.2 million.

C- Employee Benefit Obligations

The following table sets forth the Group's employee benefit obligations movement as of 31 December 2019G, 2020G and 2021G:

Table (6.43): Group's Employee Benefit Obligations Movement as of 31 December 2019G, 2020G and 2021G:

As of 31 December	
SAR in 000s	Employee benefit obligations movement
31 December 2019G	247,626
Current service cost in 2020G	28,286
Interest expense in 2020G	5,859
Payments in 2020G	(26,540)
Remeasurements in 2020G	(2,577)
31 December 2020G	252,653
Current service cost in 2021G	27,570
Interest expense in 2021G	5,764
Benefits due but not paid	(81)
Payments in 2021G	(22,197)
Remeasurements in 2021G	(12,743)
31 December 2021G	250,966

Source: The Financial Statements.

Employee benefit obligations represent the present value of the employee service in the previous years. The PV calculation methodology, which adheres to labour laws of Saudi Arabia, is based on the number of years in service and the latest salary, therefore the movement in the employees benefit obligation depend on the years of service, latest drawn salaries, number of employees, payments of benefits from resignations and remeasurements from changing assumptions.

As of 31 December 2020G, employee benefit obligations increased by SAR 5.0 million, due to the net effect of current service cost of SAR 28.3 million, interest expense of SAR 5.9 million, offset by the payments of SAR 26.5 million and remeasurements of SAR 2.6 million.

As of 31 December 2021G, employee benefit obligations decreased by SAR 1.7 million, due to the net effect of current service cost of SAR 27.6 million, interest expense of SAR 5.8 million, offset by the payments of SAR 22.2 million and remeasurements of SAR 12.7 million.

The Group commissioned a third-party valuation of its end of service benefits which stated that the liability as of 31 December 2021G was SAR 251.0 million.

D- Mobilisation Revenue

Mobilisation revenue represents the fee charged to a customer when the Group deploys a rig at the time of initial mobilisation to the drilling location on the customer's instructions. Mobilisation revenues are deferred and recognised over the period of the drilling contracts and are segregated between current and non-current portion.

E- Deferred Tax Liability

Deferred tax liabilities mainly arise due to the fixed assets carrying value being higher than their tax base, as tax authorities use accelerated depreciation rates unlike the depreciation rates used in accounting, resulting in a difference between tax provisions and accounting provisions. Deferred tax liabilities increased as of 31 December 2019G, 2020G and 2021G due to higher differences between tax and accounting base of fixed assets.

F- Trade Payables

The non-current portion of trade payables represents 3.2 per cent. of total trade and other payables as of 31 December 2021G.

G- Derivative Liability

The derivative liability represents the fair value of the hedging instruments with SNB and BSF. Depending on the valuation of the instrument, future expected gains in hedging instrument result in a net asset position while losses result in a net liability position.

6.5.2.4 Current Liabilities

The following table sets forth the Group's current liabilities as of 31 December 2019G, 2020G and 2021G:

Table (6.44): Group's Current Liabilities as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Trade and other payables	622,383	462,537	456,551	(25.7)%	(1.3)%
Long-term Murabaha borrowings	794,065	639,623	545,473	(19.4)%	(14.7)%
Current portion of lease liabilities	2,947	3,029	1,847	2.8%	(39.0)%
Mobilisation revenue	62,470	36,539	8,459	(41.5)%	(76.9)%
Zakat payable	8,548	10,053[1]	20,287	17.6%	101.8%
Total current liabilities	**1,490,414**	**1,151,780[1]**	**1,032,617**	**(22.7)%**	**(10.3)%**

Source: The Financial Statements.

[1] The numbers for the financial year ended 31 December 2020G were reclassified from trade and other receivables to the advance income tax and zakat payable in line with the revised classification in the audited consolidated financial statements for the financial year ended 31 December 2021G.

Current liabilities include trade payables and other payables, the current portion of long-term Murabaha borrowings, the current portion of lease liabilities, mobilisation revenue and Zakat payable. The current portion of long-term Murabaha borrowings and trade and other payables account respectively for 52.8 per cent. and 44.2 per cent. of total current liabilities as of 31 December 2021G.

A- Trade and Other Payables

The following table sets forth the Group's trade and other payables as of 31 December 2019G, 2020G and 2021G:

Table (6.45): Group's Trade Payables and Other Payables as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Trade payable - current	266,670	180,624	143,940	(32.3)%	(20.3)%
Accrued expenses	328,004	260,829	271,082	(20.5)%	3.9%
Dividends payable	14,141	-	9,156	(100.0)%	-
Due to related parties	12,116	-	-	(100.0)%	-
Value added tax payable	-	20,313	26,801	-	31.9%
Other	1,452	772	5,573	(46.8)%	621.9%
Total trade and other payables	**622,383**	**462,537**	**456,551**	**(25.7)%**	**(1.3)%**

Source: The Financial Statements.

Trade and other payables include:

- **trade payables:** this account represents the amounts payable to third parties for goods (i.e., inventory and capex) and services (i.e., catering, certifications, contracted employees and insurance) procured within the normal course of business;
- **accrued expenses:** this account includes operational payables for unbilled supplier invoices in relation to goods and services received, which eventually move to trade payables once the invoices are issued;
- **dividend payable:** this account represents the amounts due to shareholders which are approved by the shareholders;
- **due to related parties:** this account represents amounts payable to related parties;
- **value added tax payable:** this account is the net tax liability arising from taxable revenue being higher than purchases and require the Group to pay its taxes due to the tax authorities, thus creating a tax liability; and
- **other payables:** this account includes non-operational accruals such as salary provisions, bonus accrual and other non-operational accruals.

i- Trade Payables

As of 31 December 2020G, trade payables decreased by SAR 86.0 million, due to the implementation of the online payment system which resulted in quicker payments to suppliers, the nine Saudi Aramco rigs being suspended which resulted in reduced operations and therefore less payables and the decrease in capex payables as the Group had less growth and maintenance capex.

As of 31 December 2021G, trade payables decreased by SAR 36.7 million due to lower rig activity resulting from the suspension of seven Saudi Aramco rigs for the majority of 2021G and lower capex spent compared to the prior period.

ii- Accrued Expenses

As of 31 December 2020G, accrued expenses decreased by SAR 67.2 million, primarily due lower rig activity in 2020G as nine Saudi Aramco rigs were suspended and due to improved payment processing to suppliers.

As of 31 December 2021G, accrued expenses increased by SAR 10.3 million, primarily due to an accrual in relation to the reactivation costs of four previously suspended Saudi Aramco rigs in the last quarter of 2021G.

iii- Dividend Payable

As of 31 December 2020G, dividend payable decreased by SAR 14.1 million to nil, as all dividends due in 2020G were paid in due course during 2020G.

As of 31 December 2021G, dividend payable increased by SAR 9.2 million in relation to 2021G after adjustment of dividend reimbursable against zakat and income tax, which is expected to be paid in 2022G.

iv- Due to Related Parties

As of 31 December 2020G, due to related parties decreased by SAR 12.1 million, due to the reduction in secondee related costs charged by the related parties in 2019G.

v- Value Added Tax Payable

Value added tax payable movement is dependent on the net tax liability arising at December from input tax being higher than the output tax. It was nil at 2019G due to a corresponding net asset position within trade and other receivables.

vi- Other Payables

As of 31 December 2020G, other payables decreased by SAR 0.7 million, due to classifying non-operational accruals within accrued expenses. As of 31 December 2021G, other payables increased by SAR 4.8 million, due to an advance received from the Company's rented properties.

The following table sets forth the Group's liabilities due to Related Parties as of 31 December 2019G, 2020G and 2021G:

Table (6.46): Group's Liabilities Due to Related Parties as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Services Pétroliers Schlumberger S.A.	12,055	-		(100.0)%	-
Arabian Geophysical & Surveying Company	60	-		(100.0)%	-
Total due to related parties	**12,116**	**-**		**(100.0)%**	**-**

Source: The Financial Statements.

Due to related parties primarily related to the amounts due to SPS in 2019G in relation to the secondment charges and other miscellaneous expenses.

B- Current Portion of Long-Term Murabaha Borrowings

The Company recognised current-portion liabilities on its long-term Murabaha borrowings of SAR 794.1 million, SAR 639.6 million and SAR 545.5 million as of 31 December 2019G, 2020G and 2021G, respectively. See Section 6.5.2.3 (a) (*Murabaha Borrowings*) for more details of Murabaha borrowings.

C- Current Portion of Lease Liabilities

The Company recognised current-portion liabilities on its lease liabilities of SAR 2.9 million, SAR 3.0 million and SAR 1.8 million as of 31 December 2019G, 2020G and 2021G, respectively. See Section 6.5.2.3 (b) (*Lease Liabilities*) for more details of lease liabilities.

D- Current Portion of Mobilisation Revenue

The Company recognised current-portion liabilities on its mobilisation revenue of SAR 62.5 million, SAR 36.5 million and SAR 8.5 million as of 31 December 2019G, 2020G and 2021G, respectively. See Section 6.5.2.3 (d) (*Mobilisation Revenue*) for more details of mobilisation revenue.

E- Zakat Payable

The following table sets forth the Group's zakat payable movement as of 31 December 2019G, 2020G and 2021G:

Table (6.47): Group's Zakat Payable Movement as of 31 December 2019G, 2020G and 2021G:

As of 31 December	
SAR in 000s	Zakat payable movement
31 December 2019G	8,548
Provision in 2020G	10,053
Adjustment relating to prior year in 2020G	182
Payments in 2020G	(8,730)
31 December 2020G	10,053
Provision in 2021G	8,842
Adjustment relating to prior year in 2021G	11,783
Payments in 2021G	(10,392)
31 December 2021G	20,287

Source: The Financial Statements.

As of 31 December 2020G, zakat payable increased by SAR 1.5 million, due to the net effect of provision of SAR 10.1 million, prior year adjustment of SAR 0.2 million and payment of SAR 8.7 million.

As of 31 December 2021G, zakat payable increased by SAR 10.2 million, due to the net effect of provision of SAR 8.8 million, prior year adjustment of SAR 11.8 million, and a payment of SAR 10.4 million.

6.5.2.5 Equity

The following table sets forth the Group's equity as of 31 December 2019G, 2020G and 2021G:

Table (6.48): Group's Equity as of 31 December 2019G, 2020G and 2021G:

As of 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Share capital	22,580	22,580	22,580	-	-
Additional paid-in capital	97,421	97,421	97,421	-	-
Statutory reserve	18,884	18,884	18,884	-	-
Fair value reserve against derivative liability	(13,099)	(15,133)	(4,441)	15.5%	(70.7)%
Retained earnings	3,500,914	3,788,415	4,057,325	8.2%	7.1%
Total equity	3,626,699	3,912,167	4,191,769	7.9%	7.1%

Source: The Financial Statements.

A- Share Capital

The following table sets forth the Group's share capital as of 31 December 2019G, 2020G and 2021G:

Table (6.49): Group's Share Capital as of 31 December 2019G, 2020G and 2021G

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
TAQA	11,516	11,516	11,516	-	-
Services Pétroliers Schlumberger S.A.	11,064	11,064	11,064	-	-
Total share capital	**22,580**	**22,580**	**22,580**	**-**	**-**

Source: The Financial Statements.

The share capital of the Group as of 31 December 2021G consisted of 2,258,000 shares stated at SAR 10 per share, whereas share capital of the Group as of 31 December 2019G and 2020G consisted of 225,800 shares stated at SAR 100 per share.

B- Additional Paid-in Capital

Additional paid-in capital represents funding provided by the Group's shareholders. The balance does not have a repayment profile, does not bear any financial costs and is repayable at the discretion of the Group.

C- Statutory Reserve

In accordance with the Group's Articles of Association and the Regulations for Companies in Saudi Arabia, the Group is required to maintain a statutory reserve equal to a minimum of 30.0 per cent. of its share capital.

D- Fair Value Reserve Against Derivative Liability

Fair value reserve against derivative liability is an interest rate swap arrangement designated as a cash flow hedging instrument to cover cash flow fluctuations arising from variable interest rate Murabaha loans. Depending on the valuation of the swap instrument, future expected gains in the hedging instrument result in a net asset position while losses result in a net liability position.

E- Retained Earnings

Retained earnings increased from SAR 3.5 billion as of 31 December 2019G to SAR 3.8 billion as of 31 December 2020G and subsequently increased further to SAR 4.1 billion as of 31 December 2021G resulting from the Company achieving profits in the two years ended 31 December 2020G and 31 December 2021G.

The following table sets forth the Group's dividends paid as of 31 December 2019G, 2020G and 2021G:

Table (6.50): Group's Dividends Paid as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Dividends paid[1]	34,729	19,945	-	(42.6)%	-
Total dividends paid	**34,729**	**19,945**	**-**	**(42.6)%**	**-**

Source: The Financial Statements.

(1) This includes only cash dividends and does not include amounts adjusted against receivables from the Shareholders. See also Table 7.1 (Dividends Declared and Distributed in the Years Ended 31 December 2019G, 2020G and 2021G (SAR'000) as of 31 December 2021G) for dividends declared and paid, including such adjusted amounts.

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Group. Dividends paid in 2019G pertain to 2017G and 2018G approved dividends. Dividends paid in 2020G pertain to 2020G approved dividends only, resulting in a lower paid amount compared to prior periods. No dividends were paid in 2021G as the dividend related to 2020G was already paid in 2020G.

The following table sets forth the Group's net debt as of 31 December 2019G, 2020G and 2021G:

Table (6.51): Group's Net Debt as of 31 December 2019G, 2020G and 2021G:

	As of 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Cash and cash equivalents	221,273	639,521	411,621	189.0%	(35.6)%
Debt (Murabaha borrowings)	(2,529,544)	(2,017,057)	(1,381,090)	(20.3)%	(31.5)%
Lease liabilities	(7,725)	(4,839)	(1,847)	(37.4)%	(61.8)%
Net debt	(2,315,997)	(1,382,375)	(971,317)	(40.3)%	(29.7)%
EBITDA	1,005,807	1,132,165	911,179	12.6%	(19.5)%
Ratio of Net debt to EBITDA	2.3	1.2	1.1	(47.0)%	(12.7)%
Adjusted EBITDA	1,025,078	1,132,165	911,179	10.4%	(19.5)%
Ratio of Net debt to Adjusted EBITDA	2.3	1.2	1.1	(46.0)%	(12.7)%

Source: The Financial Statements and management information.

Net debt represents total borrowings (including current and non-current borrowings and lease liabilities) less cash and cash equivalents.

Net debt decreased from SAR 2.3 billion as of 31 December 2019G to SAR 1.4 billion as of 31 December 2020G and further to SAR 971.3 million as of 31 December 2021G primarily due to a net repayment of Murabaha borrowings by SAR 508.3 million and SAR 631.6 million in 2020G and 2021G, respectively.

6.5.3 Statement of Cash Flows

6.5.3.1 Liquidity and capital resources overview

The Group's principal cash requirements are to fund its purchase of property and equipment, any requisite intangible assets, any capital expenditure requirements, its long-term Murabaha borrowing repayments and lease payments. The Group's principal sources of funds to meet these cash requirements are its operating cash flow and proceeds from long-term Murabaha borrowings. Notably, the Group was able to meet its working capital requirements from the cash generated from operations in the periods presented.

In February 2022G, the Group raised SAR 2.0 billion by way of a Sukuk issuance in order to finance the acquisition of rigs and fund associated costs subject to award of contracts and / or repayment of outstanding loans. This bears interest at a rate of SAIBOR plus 160 bps and consequently will increase the finance costs of the Group.

The following table sets forth the Group's consolidated statement of cash flows for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.52): Group's Consolidated Statement of Cash Flows for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Profit before zakat and income tax	279,383	338,099	326,747	21.0%	(3.4)%
Adjustments for:					
Depreciation	620,149	726,525	542,026	17.2%	(25.4)%
Amortisation	5,451	5,751	5,764	5.5%	0.2%
Impairment losses	19,270	-	-	(100.0)%	-
Provision for employee benefit obligations	37,742	34,145	33,334	(9.5)%	(2.4)%
Loss (gain) on disposal of property and equipment	1,622	-	(3,269)	(100.0)%	(100.0)%
Gain on disposal of assets held for sale	-	-	(1,151)	-	(100.0)%

For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Amortisation of mobilisation cost	51,423	39,667	20,539	(22.9)%	(48.2)%
Amortisation of mobilisation revenue	(81,646)	(65,483)	(36,539)	(19.8)%	(44.2)%
Financial costs	100,825	62,717	37,986	(37.8)%	(39.4)%
Financial income	-	(927)	(1,343)	-	44.9%
Changes in working capital:					
Increase / (Decrease) in inventories	(4,493)	9,383	14,600	308.8%	55.6%
Increase / (Decrease) in trade and other receivables	(105,079)	499,795	(191,456)	575.6%	(138.3)%
Decrease in trade and other payables	(12,341)	(123,325)	(26,914)	899.3%	(78.2)%
Cash generated from operations	**912,306**	**1,526,347**	**720,323**	**67.3%**	**(52.8)%**
Mobilisation cost paid	(21,232)	(3,937)	-	(81.5)%	100.0%
Mobilisation revenue received	33,750	15,000	-	(55.6)%	(100.0)%
Zakat and income tax paid	(16,464)	(8,945)	(21,906)	(45.7)%	144.9%
Employee benefit obligations paid	(18,974)	(26,540)	(22,197)	39.9%	(16.4)%
Financial costs paid	(94,818)	(66,890)	(42,469)	(29.5)%	(36.5)%
Financial income received	-	927	1,343	-	44.9%
Net cash inflow from operating activities	**794,569**	**1,435,963**	**635,095**	**80.7%**	**(55.8)%**
Payments for purchase of property and equipment	(568,031)	(486,322)	(247,627)	(14.4)%	(49.1)%
Proceeds from disposal of property and equipment	-	-	7,371	-	-
Payments for purchase of intangible assets	(2,377)	-	(150)	100.0%	-
Proceeds from disposal of assets held for sale	-	-	12,187	-	-
Net cash outflow from investing activities	**(570,408)**	**(486,322)**	**(228,219)**	**14.7%**	**53.1%**
Proceeds from long-term Murabaha borrowings	560,271	-	-	(100.0)%	-
Repayments of long-term Murabaha borrowings	(604,482)	(508,315)	(631,593)	(15.9)%	24.3%
Principal element of lease payments	(2,788)	(3,133)	(3,182)	12.4%	1.5%
Dividends paid	(34,729)	(19,945)	-	(42.6)%	(100.0)%
Net cash outflow from financing activities	**(81,728)**	**(531,393)**	**(634,775)**	**(550.2)%**	**(19.5)%**
Net increase (decrease) in cash and cash equivalents	142,433	418,248	(227,900)	193.6%	(154.5)%
Cash and cash equivalents at beginning of year	78,840	221,273	639,521	180.7%	189.0%
Cash and cash equivalents at end of year	**221,273**	**639,521**	**411,621**	**189.0%**	**(35.6)%**
Non-cash operating, investing and financing activities:					
Right-of-use assets recorded against lease liabilities	10,513	-	-	(100.0)%	-
Prepaid lease rentals adjusted again right-of-use assets	81	-	-	(100.0)%	-
Zakat and income tax reimbursable from shareholders	9,084	17,004	21,073	87.2%	23.9%
Zakat and income tax reimbursable from shareholders adjusted against their respective dividends	-	20,085	28,027	100.0%	39.5%
Assets transferred from property and equipment to assets held for sale	-	-	7,793	-	100.0%
Total non-cash operating, investing and financing activities	**19,678**	**37,089**	**56,893**	**88.5%**	**53.4%**

Source: The Financial Statements.

The following table sets forth the Group's selected cash flow data for years ended 31 December 2019G, 2020G and 2021G

Table (6.53): Group's Selected Cash Flow data for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR in 000s	For the financial year ended 31 December				
	2019G	2020G	2021G	Increase/ (Decrease (2019G-2020G))	Increase/ (Decrease) (2020G-2021G)
Net cash inflow from operating activities	**794,569**	**1,435,963**	**635,095**	80.7%	(55.8)%
Net cash outflow from investing activities	**(570,408)**	**(486,322)**	**(228,219)**	(14.7)%	(53.1)%
Net cash outflow from financing activities	**(81,728)**	**(531,393)**	**(634,775)**	550.2%	19.5%
Cash and cash equivalents at beginning of year	**78,840**	**221,273**	**639,521**	180.7%	189.0%
Cash and cash equivalents at end of year	221,273	639,521	411,621	189.0%	(35.6)%

Source: The Financial Statements.

6.5.3.2 Net Cash Inflow from Operating Activities

The following table sets forth the Group's statement of cash flows for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.54): Group's Statement of Cash Flows for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

SAR in 000s	For the financial year ended 31 December				
	2019G	2020G	2021G		Increase/ (Decrease) (2020G-2021G)
Profit before zakat and income tax	279,383	338,099	326,747	21.0%	(3.4)%
Non-cash Adjustments	754,836	802,395	597,346	**6.3%**	**(25.6)%**
Increase / (Decrease) in inventories	(4,493)	9,383	14,600	308.8%	55.6%
Increase / (Decrease) in trade and other receivables	(105,079)	499,795	(191,456)	575.6%	(138.3)%
Decrease in trade and other payables	(12,341)	(123,325)	(26,914)	899.3%	(78.2)%
Changes in working capital:	(121,913)	385,853	(203,770)	416.5%	(152.8)%
Cash generated from operations	912,306	1,526,347	720,323	67.3%	(52.8)%
Mobilisation cost paid	(21,232)	(3,937)	-	(81.5)%	100.0%
Mobilisation revenue received	33,750	15,000	-	(55.6)%	(100.0)%
Zakat and income tax paid	(16,464)	(8,945)	(21,906)	(45.7)%	144.9%
Employee benefit obligations paid	(18,974)	(26,540)	(22,197)	39.9%	(16.4)%
Financial costs paid	(94,818)	(66,890)	(42,469)	(29.5)%	(36.5)%
Financial income received	-	927	1,343	-	44.9%
Net cash inflow from operating activities	794,569	1,435,963	635,095	80.7%	(55.8)%

Source: The Financial Statements.

The Group's net cash generated from operating activities increased from SAR 794.6 million in 2019G to SAR 1.4 billion million in 2020G and decreased to SAR 635.1 million in 2021G, an increase of SAR 641.4 million (or 80.7 per cent.) in 2020G as compared to 2019G and a decrease of SAR 800.9 million (or 55.8 per cent.) in 2021G as compared to 2020G.

The increase in net cash inflow from operating activities in 2020G compared to 2019G principally reflected the increase in profit before tax from SAR 279.4 million in 2019G to SAR 338.1 million in 2020G; an increase in non-cash expenses, including depreciation, amortisation, impairment, provisions for slow moving inventories, receivables and employee benefit obligations from SAR 754.8 million in 2019G to SAR 802.4 million in 2020G; and an increase in working capital movements by SAR 507.8 million. The increase in the working capital was mainly related to the changes of the trade and other receivables by SAR 604.9 million, changes in the inventories by SAR 13.9 million, offset by changes in the trade and other payables by SAR 111.0 million. The changes in the trade and other receivables were related to: (i) collections from Saudi Aramco against the pending retentions as a result of a change in retention policy, under which no amount is kept as retention by Saudi Aramco going forward as the Group has started providing bank guarantees; and (ii) reduction in activities resulting from the suspension of seven Saudi Aramco rigs. The new retention policy is expected to continue for the future periods. The changes in inventories were mainly related to fewer purchases of inventory in 2020G compared to 2019G as operations decreased due to: (i) the suspension of seven Saudi Aramco rigs; and (ii) a more efficient inventory management which entailed using older spare parts and supplies instead of purchasing new one. The changes in trade payables were mainly related to: (i) the reduction in the level of operations resulting from the suspension of the seven Saudi Aramco rigs; and (ii) the introduction of a new online payment system which resulted in faster payments to suppliers.

The decrease in net cash inflow from operating activities in 2021G compared to 2020G is primarily driven by the decrease in profit before tax from SAR 338.1 million in 2020G to SAR 326.7 million in 2021G, decreased depreciation expenses from SAR 726.5 million in 2020G to SAR 542.0 million in 2021G due to the change in useful lives of onshore and offshore rigs and a decrease in working capital movements by SAR 589.6 million. The decrease in the working capital was mainly related to the changes of trade and other receivables by SAR 691.3 million, offset by other payables by SAR 96.4 million. The changes in trade and other receivables were mainly related to: (i) delays in Saudi Aramco's collections due to bank clearing issues; and (ii) increased activity towards the end of the last quarter of 2021G as four previously suspended Saudi Aramco rigs got reactivated. The changes in inventory were mainly related to the reduction of purchases due to lower rig activity during 2021G caused by the suspension of the seven Saudi Aramco rigs. The changes in trade and other payables were mainly related to lower capex levels being spent in 2021G compared to 2020G affected by the decrease in the level of operations during 2021G, which was partly offset by the increase in payables in line with the increase in the activity of the four reactivated Saudi Aramco rigs in the last quarter of 2021G.

6.5.3.3 Net Cash Outflow from Investing Activities

The Group's net cash outflow from investing activities decreased from SAR 570.4 million in 2019G to SAR 486.3 million in 2020G and further decreased to SAR 228.2 million in 2021G, a decrease of SAR 84.1 million (or 14.7 per cent.) in 2020G as compared to 2019G and a decrease of SAR 258.1 million (or 53.1 per cent.) in 2021G as compared to 2020G.

The decrease in net cash outflow from investing activities in 2020G compared to 2019G principally reflected the decrease in capital expenditures as a result of the temporary suspension of certain rigs during 2020G as a result of the COVID-19 pandemic.

The decrease in net cash outflow from investing activities in 2020G and 2021G was primarily due to the decrease in the capital expenditures as a result of the temporary suspension of seven Saudi Aramco rigs during 2020G and 2021G.

6.5.3.4 Capital Expenditures

The following table sets forth the Company's capital expenditures for each of its operating segments for the periods presented.

Table (6.55): Group's Selected Capex for the Financial Years Ended 31 December 2019G, 2020G and 2021G

	For the financial year ended 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease (2019G-2020G))	Increase/ (Decrease) (2020G-2021G)
Onshore	148,643	68,322	137,189	(54.0)%	100.8%
Offshore	159,114	271,212	79,375	70.5%	(70.7)%
Shared services and corporate G&A	201,759	41,059	15,222	(79.6)%	(62.9)%
Ofsat Arabia LLC	58,514	105,730	15,843	80.7%	(85.0)%
Total	**568,031**	**486,322**	**247,627**	**(14.4)%**	**(49.1)%**

Source: Management information.

Onshore capex represented on average 31.9 per cent. of overall cash outflow from investing activities throughout the periods presented, while offshore capex represented on average 38.6 per cent. of overall cash outflow from investing activities throughout the periods presented. Additionally, support function and the Subsidiary represented on average 16.7 per cent. and 12.8 per cent. of overall cash outflow from investing activities throughout the Historical Period.

Onshore capex decreased from SAR 148.6 million in 2019G to SAR 68.3 million in 2020G primarily due to the lower onshore rig activity as eight Saudi Aramco rigs were suspended, which therefore required less maintenance, overhauling, routine and sustaining capex.

Onshore capex increased from SAR 68.3 million in 2020G to SAR 137.2 million in 2021G, primarily due to the capitalisation of the reactivation capex for the five Saudi Aramco rigs (namely AD16, AD31, AD32, AD34, AD35).

Offshore capex increased from SAR 159.1 million in 2019G to SAR 271.2 million in 2020G primarily due to refurbishing rigs AD17, AD30 and AD80 in 2020G.

Offshore capex decreased from SAR 271.2 million in 2020G to SAR 79.4 million in 2021G primarily due to no significant refurbishment or exceptional project (except for rig AD17). Purchases in 2021G, mainly related to sustaining capex for the offshore fleet.

Shared services and corporate G&A included all capex except capex spent for onshore and offshore rigs, such as centralised warehouse, training centres, workshops, office buildings and residential compounds.

Shared services and corporate G&A capex decreased from SAR 201.5 million in 2019G to SAR 41.1 million in 2020G primarily due to no significant capex occurring in 2020G. 2019G included certain refurbishments in the Arabian Drilling headquarters, the engineering workshops and Dhahran yard/base.

Shared services and corporate G&A capex further decreased from SAR 41.1 million in 2020G to SAR 15.2 million in 2021G primarily due to no major capex occurring compared to 2020G.

The Subsidiary's capex increased from SAR 58.5 million in 2019G to SAR 105.7 million in 2020G primarily due to purchases of growth capex consisting of cranes, tractors and low bed trailers.

The Subsidiary's capex decreased from SAR 105.7 million in 2020G to SAR 15.8 million in 2021G as major growth capex occurred in 2019G and 2020G, which therefore reduced the need of growth capex in 2021G in line with the decline in business activity.

Capex connected to the operation of existing rigs is expected to remain relatively stable over time subject to the impact of cost escalation. The company may incur additional capex, in future periods, in connection with the acquisition of rigs subject to award of contracts.

6.5.3.5 Net Cash Outflow from Financing Activities

The Group's financing activities comprise cash inflows and outflows in relation to its long-term Murabaha borrowings, lease payments and dividend payments.

The Group's net cash outflow from financing activities was SAR 81.7 million in 2019G, compared to a net cash outflow of SAR 531.4 million in 2020G and cash outflows from financing activities of SAR 634.8 million in 2021G.

6.6 Financial Indebtedness

The Group has entered into long term financing arrangements with local banks and has also issued an unsecured *Shari'ah* compliant bonds under a Sukuk issuance program on 3 February 2022G.

6.6.1 Murabaha Facilities

The Group has long-term Murabaha facility agreements with local commercial banks with a total facility of SAR 3.7 billion (representing the total amount of principal facilities) to finance the capital expenditure and working capital requirements of the Group. It should be noted that the current balance of relevant banking facilities reached SAR 1.4 billion as of 31 December 2021G. Such borrowings bear financial costs based on prevailing market rates based on SAIBOR and are denominated in SAR. For more information about the Group's banking facility agreements, see Section 12.6 (*Financing Agreements*).

The following table sets out the Group's financial indebtedness as of 31 December 2019G, 2020G and 2021G.

Table (6.56): Group's Financial Indebtedness as of 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Murabaha borrowings	2,517,342	2,009,028	1,377,434	(20.2)%	(31.4)%
Accrued financial costs	12,202	8,030	3,656	(34.2)%	(54.5)%
Current portion presented under current liabilities	(794,065)	(639,623)	(545,473)	(19.4)%	(14.7)%
Long-term Murabaha borrowings, net	1,735,479	1,377,434	835,618	(20.6)%	(39.3)%

Source: The Financial Statements.

The Group's outstanding maturities of the borrowings, based on their respective repayment schedules, are spread from 2022G through 2026G. Such borrowings are secured principally by the assignment of certain trade receivables of the Group (i.e., amounts due from customers for the services performed in the ordinary course of business). The Group is required, pursuant to covenants of these facilities, to maintain certain level of financial conditions and other requirements. As of 31 December 2021G, the Group is in compliance with such covenants. See Section 12.6 (*Financing Agreements*) for more details on financial covenants of various Murabaha facilities.

During the year 2020G, the Group signed an amendment agreement with one of the commercial banks to reschedule loan repayments of SAR 295.5 million from 2020G and 2021G to 2021G and 2022G. The rescheduling did not result in substantial modification of the terms of the loan agreement, and the maturity profile of the Group's borrowings as of 31 December 2021G are set out below:

For the financial year ended 31 December	SAR in 000
2021G	-
2022G	545,473
2023G	437,850
2024G	176,786
2025G	176,786
2026G	44,196
	1,381,090

Source: Management information.

6.6.2 Sukuk Issuance

On 3 February 2022G, the Group issued SAR 2.0 billion five-year (*Shari'ah compliant*) Sukuk in the Kingdom, following notification of CMA on 29 December 2021G. The Sukuk Programme amounted to SAR 1.6 billion, and it was subsequently increased to a total of SAR 2.0 billion, following notification of CMA on 26 January 2022G. Sukuk were issued in a single tranche, with the principal borrowed amount being fully payable five years later on 3 February 2027G. The profit rate on the Sukuk Programme is 1.6%, to be paid at the end of each half year.

Sukuk were offered in the Kingdom in accordance with the Rules on the Offer of Securities and Continuing Obligations by way of a private placement and without listing.

Payment obligations constitute, in respect of each of the Sukuk, direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will be equally rated with all outstanding, unsecured and unsubordinated obligations of the Issuer.

Proceeds of the Sukuk will be used to pay off SAR 1.2 billion of the existing Group's obligations under the long-term loans, and to acquire two offshore drilling rigs for SAR 570 million (SAR 285 million per offshore drilling rig), which will be delivered in the first half of 2023G. The remaining Sukuk amount of SAR 230 million will be used to upgrade and modify two leased offshore drilling rigs.

For more information on the two offshore drilling rigs to be acquired and the two offshore drilling rigs to be leased, see Section 6.5.2.1(a)(i)(*Rigs, Machinery and Equipment*). There were no other approved debt instruments that have not been issued, except as disclosed in this Section, Section 6.5.2.3(a)(*Murabaha Borrowings*), Section 12.6 (*Financing Agreements*), and Section 12.8 (*Sukuk Programme Agreements*).

6.6.3 Commitments, Contingencies and Contractual Obligations.

6.6.3.1 Commitments and Contingencies

The following table sets out the Group's contingent liabilities and obligations as of 31 December 2019G, 2020G and 2021G.

Table (6.57): Group's Commitments and Contingent Liabilities as of 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
	253,900	276,300	483,300	8.8%	74.9%
Letter of credit	91,700	80,200	38,300	(12.5)%	(52.2)%
Capex commitment	227,100	188,000	118,400	(17.2)%	(37.0)%

Source: The Financial Statements.

The Group's off-balance sheet arrangements primarily relate to performance guarantees issued by the Group in connection with drilling contracts and commitments for capital expenditure.

6.6.3.2 Contractual Obligations

The table below summarises the Group's financial liabilities based on undiscounted contractual cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Table (6.58): Group's Contractual Obligations as of 31 December 2021G:

SAR in 000s	Less than one year	1 to 2 Years	2 to 5 years	Over 5 years	Total
Derivatives					
Fair value of derivative liabilities	-	-	4,441	-	4,441
Financial liabilities					
Murabaha borrowings	545,473	437,850	353,571	44,196	1,381,090
Lease liabilities	1,847	-	-	-	1,847
Future interest on Murabaha borrowings	24,381	11,025	7,655	-	43,061
Trade and other payables	428,162	15,190	-	-	443,352
Total financial liabilities	**999,864**	**464,065**	**361,226**	**44,196**	**1,869,351**

Source: The Financial Statements.

6.7 Management's Discussion and Analysis of Financial Position and Results of Operations of Ofsat Arabia LLC

The following management's discussion and analysis of Ofsat Arabia LLC presents an analytical review of its operational performance and consolidated financial position during the financial years ended 31 December 2019G, 2020G and 2021G. The financial information contained in this section was obtained from the audited financial statements of Ofsat Arabia LLC for the financial years ended December 31 2019G, 2020G and 2021G. The financial information included in this section is extracted from several reports and was used for the purpose of consolidating the Group's reports for the financial years ended December 31 2019G, 2020G and 2021G. Ofsat Arabia LLC is wholly owned by Arabian Drilling Company, and it leases transportation equipment and provides logistics services for the transportation of land drilling rigs and related equipment, mainly to Arabian Drilling Company.

6.7.1 Statement of Comprehensive Income

The following table sets forth the Subsidiary's statement of comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.59): Statement of Comprehensive Income of the Subsidiary for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December						
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)	CAGR (2019G-2021G)
Revenue	151,628	187,831	173,684	23.9%	(7.5)%	7.0%
Direct cost	(135,436)	(150,641)	(139,490)	11.2%	(7.4)%	1.5%
Gross profit	16,191	37,191	34,194	129.7%	(8.1)%	45.3%
General and administrative expenses	(5,943)	(3,913)	(4,363)	(34.2)%	11.5%	(14.3)%
Other operating (loss) income - net	(821)	25	(1,415)	103.0%	(5,760.0)%	31.3%
Operating profit	9,428	33,303	28,416	253.2%	(14.7)%	73.6%
Financial costs	(63)	(48)	(43)	(23.8)%	(10.4)%	(17.4)%
Zakat and income tax expense	(1,849)	(4,069)	(5,392)	120.1%	32.5%	70.8%
Profit for the year	7,515	29,186	22,982	288.4%	(21.3)%	74.9%

Source: The audited financial statements of the Subsidiary for the financial years ended 31 December 2019G, 2020G and 2021G.

6.7.1.1 Revenue

Revenue increased by SAR 36.2 million (or 23.9 per cent.) to SAR 187.8 million in 2020G primarily due to longer rig moves compared to the prior period.

Revenue decreased by SAR 14.1 million (or 7.5 per cent.) from SAR 187.8 million in 2020G to SAR 173.7 million due to shorter rig moves compared to the prior year.

In the financial years ended 31 December 2019G, 2020G, and 2021G, more than 99.0 per cent. of the Subsidiary's revenues were originated from Arabian Drilling Company. The Subsidiary's relationship with its parent company is more like an integrated business unit rather than an independent subsidiary.

6.7.1.2 Cost of Revenue

Cost of revenue increased by SAR 15.2 million (or 11.2 per cent.) to SAR 150.6 million in 2020G, primarily due to increases in depreciation resulting from additions during the year and increases in salaries and benefits due to increased headcount which was in line with the increase in operations during 2020G.

Cost of revenue decreased by SAR 11.2 million (or by 7.4 per cent.) to SAR 139.5 million in 2021G primarily due to: (i) the decrease of SAR 22.0 million in rental expenses as the company replaced its rented equipment by purchases of machinery and equipment during 2020G; and (ii) the decrease in other expenses resulting from the decrease of SAR 5.7 million from the reversal of the provision of sale of scrap vehicles (which was recorded in 2020G) as the vehicles were sold and disposed of in 2021G. Additionally, this increase has been partly offset by: (i) the increase in salaries and benefits by SAR 11.5 million during 2021G as the Subsidiary hired new staff in anticipation of the return of the suspended Saudi Aramco rig into operations; and (ii) the increase in depreciation for newly acquired fixed assets in 2020G and 2021G.

6.7.1.3 General and Administrative Expenses

General and administrative expenses decreased by SAR 2.0 million (or by 34.2 per cent.) to SAR 3.9 million in 2020G primarily due to reclassifications in salaries and wages, rent, communication, depreciation, and other expenses from general and administrative expenses to cost of revenue with the introduction of the new cot allocation method of SAP adopted in 2020G.

General and administrative expense increased by SAR 0.5 million (or by 11.5 per cent.) to SAR 4.4 million in 2021G due to increase in salaries and benefits in relation to the secondment of some employees from the Company to the Subsidiary.

6.7.1.4 Other Operating (loss) Income – Net

Net of other operating income decreased by SAR 0.8 million (or 103.0 per cent.) from SAR 0.8 million in 2010G to SAR 25 thousand in 2020G mainly due to lower bank service charges and inventory count variances compared to 2019G.Other operating income decreased by SAR 1.4 million from SAR 25 thousand in 2020G to SAR 1.4 million in 2021G due to the loss recognised on the sale of scrap vehicles.

6.7.1.5 Operating Profit

Operating profit increased by SAR 23.9 million (or 253.2 per cent.) to SAR 33.3 million in 2020G primarily due to higher revenues as longer rig moves were performed compared to 2019G.

Operating profit decreased by SAR 4.9 million (or 14.7 per cent.) to SAR 28.4 million in 2021G primarily due to lower revenues compared to 2020G.

6.7.2 Statement of Financial Position

The following table sets forth the Subsidiary's statement of financial position as of 31 December 2019G, 2020G and 2021G:

Table (6.60): Statement of Financial Position of the Subsidiary as of 31 December 2019G, 2020G and 2021G:

	For the financial year ended 31 December				
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Non-current assets	191,851	261,073	231,541	36.1%	(11.3)%
Current assets	61,865	90,539	86,188	46.3%	(4.8)%
Total assets	**253,715**	**351,612**	**317,729**	**38.6%**	**(9.6)%**
Equity	**148,718**	**177,720**	**201,536**	**19.5%**	**13.4%**
Non-current liabilities	23,293	47,496	24,148	103.9%	(49.2)%
Current liabilities	81,704	126,396	92,045	54.7%	(27.2)%
Total liabilities	**104,997**	**173,892**	**116,193**	**65.6%**	**(33.2)%**
Total equity and liabilities	**253,715**	**351,612**	**317,729**	**38.6%**	**(9.6)%**

Source: The audited financial statements of the Subsidiary for the financial years ended 31 December 2019G, 2020G and 2021G.

The Subsidiary's total assets mainly consist of non-current assets which accounted for 75.6 per cent., 74.3 per cent. and 72.9 per cent. of total assets as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively. Current assets accounted for 24.4 per cent., 25.7 per cent. and 27.1 per cent. of total assets as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

The Subsidiary's total liabilities mainly consist of current liabilities which accounted to 77.8 per cent., 72.7 per cent. and 79.2 per cent. of total liabilities as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

Non-current assets mainly consist of property and equipment which accounted for 98.9 per cent., 99.5 per cent. and 99.7 per cent. of total non-current assets as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively. Machinery and equipment accounted for 46.2 per cent., 71.7 per cent. and 79.7 per cent. of total property and equipment as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively while vehicles accounted for 39.8 per cent., 20.2 per cent. and 13.3 per cent. of total property and equipment as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

Current liabilities mainly consist of trade and other payables which accounted for 98.5 per cent., 97.6 per cent. and 97.9 per cent. of total current liabilities as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

6.7.2.1 Assets

Total assets increased by SAR 97.9 million (or 38.6 per cent.), from SAR 253.7 million as of 31 December 2019G to SAR 351.6 million as of 31 December 2020G mainly driven by an increase in non-current assets. Total assets then decreased by SAR 33.9 million (or 9.6 per cent.), from SAR 351.6 million as of 31 December 2020G to SAR 317.7 million as of 31 December 2021G mainly driven by the decrease in noncurrent assets.

Non-current assets increased by SAR 69.2 million (or 36.1 per cent.), from SAR 191.9 million as of 31 December 2019G to SAR 261.1 million as of 31 December 2020G mainly due to increases in property and equipment and more specifically in machinery and equipment in relation to purchases of cranes, tractors, and low bed trailers. Non-current assets decreased by SAR 29.5 million (or 11.3 per cent.) from SAR 261.1 million as of 31 December 2020G to SAR 231.5 million as of 31 December 2021G mainly due to net of depreciation and of lower capex spent primarily due to lower activity in 2021G.

Current assets increased by SAR 28.7 million (or 46.3 per cent.), from SAR 61.9 million as of 31 December 2019G to SAR 90.5 million as of 31 December 2020G mainly due to increases in trade and other receivables and cash and cash equivalents which increased in line with increases in revenue resulting from longer rig moves in 2020G. Current assets decreased by SAR 4.4 million (or 4.8 per cent.), from SAR 90.5 million as of 31 December 2020G to SAR 86.2 million as of 31 December 2021G mainly due to the decrease in inventory as purchases decreased in line with the decrease in operations in 2021G due to shorter rig moves compared to 2020G and seven rigs being suspended, and the usage of old inventory items already in stock.

6.7.2.2 Liabilities

Total liabilities increased by SAR 68.9 million (or 65.6 per cent.), from SAR 105.0 million as of 31 December 2019G to SAR 173.9 million as of 31 December 2020G and then decreased by SAR 57.7 million (or 33.2 per cent.), from SAR 173.9 million as of 31 December 2020G to SAR 116.2 million as of 31 December 2021G.

Non-current liabilities increased by SAR 24.2 million (or 103.9 per cent.), from SAR 23.3 million as of 31 December 2019G to SAR 47.5 million as of 31 December 2020G primarily driven by increases in the non-current portion of trade payables due increases in long term payables in relation to fixed assets purchases during 2020G. Non-current liabilities decreased by SAR 23.3 million (or 49.2 per cent.), from SAR 47.5 million as of 31 December 2020G to SAR 24.1 million as of 31 December 2021G primarily driven by decreases in the non-current portion of trade payables mainly due to lower fixed asset additions occurred in 2021G compared to 2020G, and payables relating to 2020G capex payables, which were settled during the first half of 2021G.

Current liabilities increased by SAR 44.7 million (or 54.7 per cent.), from SAR 81.7 million as of 31 December 2019G to SAR 126.4 million as of 31 December 2020G, primarily driven by increases in the current portion of trade payable due to increases in payables in relation to fixed asset purchases during 2020G. Current liabilities decreased by SAR 34.4 million (or 27.2 per cent.), from SAR 126.4 million as of 31 December 2020G to SAR 92.0 million as of 31 December 2021G primarily driven by decreases in the current portion of trade payable due to lower rental expenses payable as fixed asset additions in 2020G reduced the need for rented equipment, and due to the repayment of long term capex payables in relation to two suppliers.

6.7.3 Statement of Cash Flows

The following table sets forth the Subsidiary's statement of cash flows for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6.61): Statement of Cash Flow of the Subsidiary for the Financial Years Ended 31 December 2019G, 2020G and 2021G:

For the financial year ended 31 December					
SAR in 000s	2019G	2020G	2021G	Increase/ (Decrease) (2019G-2020G)	Increase/ (Decrease) (2020G-2021G)
Net cash inflow from operating activities	55,989	120,466	13,654	115.2%	(88.7)%
Net cash outflow from investing activities	(59,213)	(105,730)	(13,553)	78.6%	(87.2)%
Net cash outflow from financing activities	(437)	(439)	(445)	0.5%	1.4%
Net increase in cash and cash equivalents	(3,661)	14,297	(343)	490.5%	(102.4)%
Cash and cash equivalents at beginning of year	4,394	733	15,031	(83.3)%	1950.6%
Cash and cash equivalents at end of year	733	15,031	14,688	1950.6%	(2.3)%

Source: The audited financial statements of the Subsidiary for the financial years ended 31 December 2019G, 2020G and 2021G.

6.7.3.1 Net Cash Inflow from Operating Activities

Cash flows from operating activities increased by SAR 64.5 million (or 115.2 per cent.), from SAR 56.0 million in 2019G to SAR 120.5 million in 2020G primarily due to the increase of trade payables in relation to the Subsidiary's growth capex during 2020G.

Cash flow from operating activities decreased by SAR 106.8 million (or 88.7 per cent.), from SAR 120.5 million in 2020G to SAR 13.7 million in 2021G primarily due to the decrease in trade payables as a result of the decrease in capex additions and less inventory purchases and operating expenses compared to the prior year.

6.7.3.2 Net Cash Inflow from Investing Activities

Cash outflow from investing activities increased by SAR 46.5 million (or 78.6 per cent.), from SAR 59.2 million in 2019G to SAR 105.7 million in 2020G, due to payments for the Subsidiary's growth capex additions during 2020G relating to purchases of cranes, tractors, and low bed trailers.

Cash outflow from investing activities decreased by SAR 92.2 million (or 87.2 per cent.), from SAR 105.7 million in 2020G to SAR 13.6 million in 2021G due to lower fixed asset additions (winches and trucks) compared to the prior year as a result of lower rig activities.

6.7.3.3 Net Cash Inflow from Financing Activities

Cash outflow from financing activities remained relatively stable during the Historical Period for the Subsidiary.

6.8 Quantitative and Qualitative Disclosure About Market Risk

6.8.1 General

The Group is exposed to a number of market risks arising from its normal business activities. Such market risks principally involve the possibility that changes in market prices, currency exchange rates or interest rates will adversely affect the value of its financial assets and liabilities or future cash flows and earnings.

6.8.2 Foreign Exchange Risk

The Group's transactions are primarily in SAR and USD. The Group has limited foreign exchange risk since SAR is pegged to USD.

6.8.3 Fair Value and Cash Flow Interest Rate Risk

The Group is exposed to interest rate risk from financial instrument, which fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms.

The Group manages its cash flow interest rate risk by using variable-to-fixed interest rate swaps. The Group raises certain of its long-term Murabaha borrowings at variable rates and swaps them into fixed rates. During 2019G, 2020G and 2021G, the Group's borrowings were denominated in SAR.

As of 31 December 2021G, the Group had variable interest-bearing financial liabilities of SAR 1.4 billion (2020G: SAR 2.0 billion, 2019G: SAR 2.5 billion), and had the interest rate varied by one per cent. with all the other variables held constant, net change in profit before zakat and income tax would have been approximately SAR 14.2 million (2020G: SAR 18.3 million, 2019G: SAR 25.6 million) lower/higher, mainly as a result of lower/higher financial charges on floating rate borrowings.

6.8.4 Price Risk

The Group is exposed to limited amount of price risk from financial instrument, which fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

6.8.5 Credit Risk

Credit risk arises from cash and cash equivalents carried at amortised cost, as well as credit exposures to customers, including outstanding receivables.

Cash and cash equivalents represent low credit risk as they are placed with reputable local banks.

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As of 31 December 2021G, 99.4 per cent. (2020G: 99.8 per cent.) of trade receivables were due from three customers. Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a few customers for whom there is no recent history of default. Management believes that it is not exposed to significant credit risk.

6.8.6 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

7. DIVIDEND DISTRIBUTION POLICY

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the dividends declared. With the exception of the distribution of interim dividends by the Board of Directors following authorisation to do so by the Shareholders at a General Assembly meeting, the declaration and distribution of any dividends will generally be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. Dividend distribution is subject to restrictions set out in the Company's financing agreement entered into with financiers (for further details, see Section 12.6 (*Financing Agreements*)) as well as the limitations contained in the Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

The distribution of dividends is subject to certain limitations contained in the Company's Bylaws, as Article 47 states that after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- a- ten per cent. (10.0%) of the annual net profits shall be set aside to form the Company's statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30.0 per cent. (30.0%) of the Company's capital;
- b- the Ordinary General Assembly may, upon request of the Board of Directors, set aside ten per cent. (10.0%) of the net profits to form a voluntary reserve to be allocated to support the financial position of the Company;
- c- the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders; and
- d- a certain percentage of the remaining amount of annual profits, if any, shall be distributed to the Shareholders, as resolved by the Ordinary General Assembly, pursuant to the Companies Law.

The Company may, quarterly or semi-annually, distribute interim dividends, and the Ordinary General Assembly may authorise the Board of Directors to distribute interim dividends pursuant to a written resolution renewed annually, in accordance with the rules established by the competent authority.

The following is a summary of the dividends that the Company declared and distributed since the beginning of 2019G as of 31 December 2021G:

Table (7.1): Dividends Declared and Distributed in the Years Ended 31 December 2019G, 2020G and 2021G (SAR'000) as of 31 December 2021G

SAR'000	2019G	2020G	2021G
Declared Dividends during the Period	48,988	25,889	37,182
Paid Dividends Throughout the Period [1]	(69,576)	(40,030)	(28,027)
Dividends Payable at Financial Year End	14,141	-	9,156
Net Profit for the Year	230,420	294,074	273,584
Ratio of Net Profit to Declared Dividends for the Year	21.3%	8.8%	13.6%

Source: The Financial Statements.

[1] This includes cash dividends paid, as well as amounts adjusted against receivables from the Shareholders. For only cash dividends paid, see Table 6.50 (Group's Dividends Paid as of 31 December 2019G, 2020G and 2021G).

In addition, the Shareholders approved the declaration and distribution of dividends of SAR 37.49 million for the 2021G financial year in the General Assembly meeting on 14 Sha'ban 1443H (corresponding to 17 March 2022G). The Company adjusted SAR 24.9 million against receivables from the Shareholders in April 2022G, SAR 16.4 million were paid to the Shareholders in July 2022G and SAR 5.3 million were paid to the Shareholders in August 2022G. As a result, the balance of dividends liability was zero as of 1 September 2022G, as the Company paid/adjusted all the outstanding dividends. Accordingly, the Offer Shares will entitle their holders to receive any dividends declared by the Company after 14 Sha'ban 1443H (corresponding to 17 March 2022G). For the avoidance of doubt, the Offer Shares do not entitle their holders to any dividends announced on or prior to 14 Sha'ban 1443H (corresponding to 17 March 2022G), including the dividends mentioned above.

8. USE OF PROCEEDS

8.1 Net Offering Proceeds

The total Offering Proceeds are estimated at SAR 2,670,000,000, of which approximately SAR 77,000,000 will be applied towards the Offering expenses, which include the fees of the Joint Financial Advisors, the Joint Global Co ordinators, the Lead Manager, the Local Co-ordinator, the Bookrunners, the Underwriters, the Legal Advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering expenses will be deducted from the Offering Proceeds and will be apportioned to the Selling Shareholders and the Company on a pro rata basis according to the number of Offer Shares being sold by each one of them.

8.2 Use of Net Offering Proceeds

The Net Offering Proceeds amounting to approximately SAR 2,593,000,000 (after deducting the Offering expenses), will be distributed as follows: (i) one billion, seven hundred and eighteen million, nine hundred and fifty five thousand and fifty six Saudi Riyals (SAR 1,718,955,056) will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Sale Shares being sold in the Offering; and (ii) eight hundred and seventy four million, forty four thousand, nine hundred and forty four Saudi Riyals (SAR 874,044,944) will be distributed to the Company. The Company intends to use its share of the net proceeds from the Offering, in addition to other sources of financing, such as cash flows from its operating activities and bank financing, to finance the following activities:

- scaling up its onshore and offshore fleet in the Kingdom, by leasing or acquiring additional drilling rigs and upgrading some of its drilling rigs as well as the recently leased or acquired drilling rigs;
- expanding the Company's core operations in the GCC Region; and
- general purposes of the Company, including debt repayment and the development of the Company's facilities and technical systems.

The following table summarizes the expected use of the Company's share of net proceeds from the Offering:

Table (8.1): Expected Use of the Company's Share of Net Proceeds from the Offering

Item	Expected Use of the Company's Share of Net Proceeds from the Offering[(1)(2)]
Scaling up onshore and offshore fleet in the Kingdom	60.0%-70.0%
Expanding in the GCC region	20.0%-30.0%
General purposes of the Company	10.0%-20.0%

Source: The Company.

(1) For more information about the possible changes to the expected use of the Company's share of Net Offering Proceeds set out above, see Section 8.3 (*Time Plan for Expected Use of Net Offering Proceeds and Possible Changes*).

(2) Subject to Note (1) above, Section 8.2 (*Use of Net Offering Proceeds*) and Section 8.3 (*Time Plan for Expected Use of Net Offering Proceeds and Possible Changes*), the uses of the Company's share of Net Offering Proceeds split among the various items in the above table shall not exceed in aggregate 100.0% of the Company's share of Net Offering Proceeds.

8.2.1 Scaling up Onshore and Offshore Fleet in the Kingdom

Scaling up the Company's fleet of onshore and offshore drilling rigs in the Kingdom generally depends on the volume of demand for the Company's services from customers and market general conditions, which drive the Company to acquire or lease additional drilling rigs, in addition to upgrading some of its existing drilling rigs as well as the recently leased or acquired drilling rigs. For example, the Company recently used part of its proceeds from the Sukuk Programme to lease two offshore drilling rigs in March 2022G and purchase two additional offshore drilling rigs whose acquisitions are scheduled to be completed in the second half of 2022G, after the relevant contractual conditions are met. The Company's share of net proceeds from the Offering will not be used for the purpose of leasing or acquiring the above drilling rigs (for more information about the Sukuk Programme and the drilling rigs lease and purchase agreements, see Section 6.6.2 (*Sukuk Issuance*) and Section 12.5.1 (*Agreements with Key Suppliers*)). The Company will continue to lease and acquire additional drilling rigs whenever the opportunity arises and as needed. The Company also intends to upgrade some of its existing drilling rigs as well as the recently leased or acquired drilling rigs in order to meet customer requirements and enhance its growth.

8.2.2 Expanding in the GCC Region

Although the Company's business is primarily concentrated in the Kingdom and the Neutral Zone, the Company submitted bids for tenders in Bahrain and Kuwait in 2021G, having completed and met the pre-qualification requirements. The GCC region offers further opportunities to diversify the Company's business and strengthen its position as a national local leader as well as a player with regional presence. The Company may also consider potential merger and acquisition opportunities, in line with its financial controls.

8.2.3 General Purposes of the Company

The Company has ongoing and continuing capital expenditure needs and requirements, which include requirements for maintenance of rigs, contracting with customers, upgrade of the existing fleet, and general purposes, such as debt repayment, development of IT hardware and systems, including SAP modules for various internal processes and procedures, maintenance and development of inventory and asset management systems, and improvement of training centres, residential complexes, office facilities and simulation training equipment, including simulation of crane and drilling rig operation. Although the Company expects to self-finance these requirements using cash flows from its operating activities, it continuously assesses its capital expenditure requirements and methods of utilisation of its share of net proceeds from the Offering, in addition to its need to use its share of net proceeds from the Offering for general purposes, as required.

8.3 Time Plan for Expected Use of Net Offering Proceeds and Possible Changes

The Company intends to employ and use its entire share of net proceeds from the Offering for the purpose of covering some or all of the above uses within three years as of the date of this Prospectus. The plans for the expected use of the Company's share of net proceeds from the Offering are reflective of the Company's business plan and market conditions as of the date of this Prospectus. Thus, the expected use of the Company's share of net proceeds from the Offering is subject to change according to any economic, social or political developments, in addition to any potential changes in the Company's business plan.

9. CAPITALISATION AND INDEBTEDNESS

Prior to the Offering, the Selling Shareholders owned the entire issued share capital of the Company. Upon completion of the Offering, they will jointly hold 70.0 per cent. of the Company's Shares.

The following table shows the Company's capitalisation as reflected in the Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto set out in Section 19 (*Financial Statements and Auditors' Report*).

Table (9.1): Capitalisation and Indebtedness of the Company

(SAR '000)	2019G	2020G	2021G
Current portion of lease liabilities	4,778	1,810	-
Non-current portion of lease liabilities	2,947	3,029	1,847
Current Portion of Murabaha Loans	794,065	639,623	545,473
Non-Current Portion of Murabaha Loans	1,735,479	1,377,434	835,618
Total Loans	**2,537,269**	**2,021,896**	**1,382,938**
Equity			
Capital	22,580	22,580	22,580
Additional Paid-in capital	97,421	97,421	97,421
Statutory Reserve	18,884	18,884	18,884
Fair Value Reserve Against Derivative Liability	(13,099)	(15,133)	(4,441)
Retained Earnings	3,500,914	3,788,415	4,057,325
Total Shareholders' Equity	**3,626,699**	**3,912,167**	**4,191,769**
Total Capitalisation (Total Loans + SH Equity)	**6,163,968**	**5,934,063**	**5,574,707**
Total Loans/Total Capitalisation	**41.2%**	**34.1%**	**24.8%**

Source: The Financial Statements and management information.

The Directors declare that:

a- with the exception of the Sukuk issued in connection with the Sukuk Programme, neither the Company nor the Subsidiary have any debt instruments as of the date of this Prospectus;

b- no Shares of the Company or shares in the Subsidiary are under option; and

c- subject to any material adverse change in the Company and the Subsidiary's business, they believe that its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least twelve (12) months following the date of this Prospectus.

10. STATEMENTS BY EXPERTS

All the Advisors and Auditors, whose names are listed starting on pages (ix) (x) and (xi), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, addresses, logos and statements attributed to each of them in this Prospectus, and do not, themselves, nor do their employees forming part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company or the Subsidiary as of the date of this Prospectus which would impair their independence.

11. DECLARATIONS

The Directors declare the following:

a- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

b- none of the companies in which any of the Directors, Senior Executives or the Secretary was employed, in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

c- except as specified in Section 12.11 (*Related Party Contracts and Transactions*), they do not, themselves, nor do any of Senior Executives, Secretary, or their relatives or affiliates, have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company and the Subsidiary as of the date of this Prospectus;

d- except as otherwise described in Section 5.2.1 (*Composition of the Board of Directors*), and Section 12.11 (*Related Party Contracts and Transactions*), neither they nor any of Senior Executives, Secretary, or their relatives, have any shareholding or interest of any kind in the Company or the Subsidiary nor in any debt instruments of the Company or the Subsidiary, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

e- all transactions with Related Parties described in Section 12.11 (*Related Party Contracts and Transactions*), including determination of the financial consideration for contracts, have been carried out in a systematic and legal manner and on appropriate and fair commercial principles used in transactions with third parties;

f- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or the Subsidiary within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or sale of any securities;

g- there has been no interruption in the Company's business or that of the Subsidiary that may significantly affect or have affected their financial position during the last 12 months;

h- there is no intention to introduce any material changes to the nature of the Company's business or that of the Subsidiary;

i- the Directors or Chief Executive Officer will not vote on General Assembly resolutions that relate to any transaction or contract in which they have a direct or indirect interest;

j- there has been no material adverse change in the financial or trading position of the Company or the Subsidiary in the three financial years ended 31 December 2019G, 2020G and 2021G immediately preceding the date of filing the application for registration and offering of securities that are subject of this Prospectus and during the period from the end of the period covered in the Auditors' Report to the date of approval of this Prospectus;

k- as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company;

l- the Company does not have any securities (contractual or otherwise) or any assets, the value of which is subject to fluctuation that would adversely and materially affect its financial position;

m- except as disclosed in Section 2 (*Risk Factors*) and Section 6.3 (*Key Factors Affecting the Group's Operations*), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

n- except as disclosed in Section 2 (*Risk Factors*) and Section 6.3 (*Key Factors Affecting the Group's Operations*), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

o- the statistical information used in Section 3 (*Market Overview*) obtained from third-party sources represents the latest information available from each respective source;

p- except as stated in Section 2 (*Risk Factors*) and Section 2.1.32 (*Risks Related to Failure to Secure Adequate Insurance Coverage*), the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

q- all contracts and agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

r- all terms and conditions that may affect the decisions of the Investors to invest in Offer Shares have been disclosed;

s- as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities or that of the Subsidiary, and the Company has no intention to enter into any new agreements with Related Parties, except as specified in Section 12.11 (*Related Party Contracts and Transactions*);

t- the expenses and costs related to the Offering will be apportioned to the Selling Shareholders and the Company on a pro rata basis according to the number of Offer Shares being sold by each one of them, and such costs will be deducted from the Offering Proceeds, including the fees of the Joint Financial Advisors, the Joint Global Co-ordinators, the Lead Manager, the Local Co-ordinator, the Bookrunners, the Underwriters, the Legal Advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution costs and other expenses related to the Offering;

u- as of the date of this Prospectus, there is no dispute with ZATCA, or objection thereof. The Selling Shareholders, each according to its relevant share, shall incur any additional claims that may be filed by ZATCA against the Company and the Subsidiary for the preceding years until the Admission. Relevant Selling Shareholders' undertakings have been given;

v- they have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and Listing Rules;

w- all of the Company's employees are under its sponsorship;

x- as of the date of this Prospectus, the Shareholders whose names appear in Section 4.10 (*Current Shareholding Structure*) are the legal and beneficial owners, whether direct or indirect owners, of the Shares;

y- all increases in the share capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

z- except as disclosed in Section 2 (*Risk Factors*), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

aa- except as disclosed in Section 2.2.10 (*Risk Related to Licences and Approvals*), and Section 12.4 (*Government Consents, Licences, and Certificates*), as of the date of this Prospectus, the Company has obtained all necessary licences and permits to carry out its business activities;

ab- except as disclosed in Section 12.14 (*Litigation*), the Company and the Subsidiary are not subject to any lawsuits, claims, legal procedures or investigative proceedings that may have, alone or as a whole, materially affect the business of the Company or the Subsidiary or their financial position;

ac- except as disclosed in Section 12.6 (*Financing Agreements*), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

ad- the Company, individually or in association with the Subsidiary, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

ae- no Shares of the Company or shares in the Subsidiary are under option;

af- the audited consolidated financial information appearing in this Prospectus and the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA;

ag- the financial information appearing in this Prospectus has been extracted or derived from the Company's audited consolidated financial statements, and no material amendments have been made thereto except for rounding. The financial information appearing in Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) has been extracted or derived from the Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G. Furthermore, the financial information is presented in a manner consistent with the audited annual consolidated financial statements of the Company. In addition, certain financial information presented in this Prospectus has been extracted from management information. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the rounded figures presented in the audited consolidated financial statements. As a result of such rounding, the data presented in tables in this Prospectus may vary slightly from the arithmetic totals of such data;

ah- the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

ai- all necessary approvals have been obtained from lenders to offer 30.0 per cent. of the Company shares in order for the Company to be a public joint stock company;

aj- all necessary approvals have been obtained for the Shares to be offered on the Exchange and for it to be a public joint stock company;

ak- as of the date of this Prospectus, there is no breach of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing as of the date of this Prospectus;

al- the Company is committed to all the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

am- all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading;

an- the Directors acknowledge that the Company and the Subsidiary do not own any other assets outside the Kingdom;

ao- the Directors acknowledge that the Company and the Subsidiary do not have any other commercial activities outside of the Kingdom;

ap- except as disclosed in Section 12.6 (*Financing Agreements*), the Board of Directors acknowledges that there are no mortgages, rights or encumbrances on the Company's property as at the date of this Prospectus;

aq- as of the date of this Prospectus, neither the Company nor the Subsidiary have any significant new products or activities;

ar- as of the date of this Prospectus, neither the Company nor the Subsidiary have a policy on research and development and the Company does not produce any products;

as- the Offering does not violate the relevant laws and regulations of the Kingdom;

at- the Offering does not violate any of the contracts or agreements to which the Company is a party;

au- all material legal information relating to the Company and the Subsidiary has been disclosed in this Prospectus; and

av- the Directors of the Company and the Subsidiary are not to be subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business, the Subsidiary or their financial position.

In addition to the above, the Directors confirm that:

a- the information and data contained in this Prospectus that were obtained from third parties, including information obtained from the Market Study Report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate;

b- this Prospectus contains all the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no facts that may affect the application for registration and offer of securities were omitted from this Prospectus;

c- they have submitted, and will submit, to CMA all the documents required under CML and the Rules on the Offer of Securities and Continuing Obligations;

d- the Company has prepared its internal control policies on sound principles where the Company has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;

e- the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

f- except as disclosed in Section 12.11 (*Related Party Contracts and Transactions*), there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

g- except as disclosed in Section 5.7 (*Conflict of Interests*), as of the date of this Prospectus, none of the Directors engaged in any activities similar or competitive with the activities of the Company or the Subsidiary. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

h- unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company;

i- the Directors shall notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

j- all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

k- the Directors and the Chief Executive Officer shall not have the right to vote on decisions relating to their fees and remuneration;

l- the Directors and the Chief Executive Officer shall not have the right to vote on a contract or a recommendation in which they have an interest; and

m- neither the Directors nor any Senior Executive shall obtain a loan from the Company or the Subsidiary, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

a- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;

b- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations;

c- comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations; and

d- amend the Company's Bylaws in the first extraordinary general assembly after Admission in accordance with the Corporate Governance Regulations issued by the CMA and other applicable laws and regulations.


Arabian
Drilling

12. LEGAL INFORMATION

12.1 The Company

The Arabian Drilling Company is a closed joint stock company converted pursuant to Ministerial Resolution No. 698 dated 10 Rabi' al-Thani 1443H (corresponding to 15 November 2021G) with commercial registration No. 2051026089 dated 3 Safar 1423H (corresponding to 16 April 2002G) issued in Al Khobar, Kingdom of Saudi Arabia. The Company's head office is located in Prince Sultan Road, Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia. The current share capital of the Company is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), consisting of eighty million (80,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (for further details, see Section 4.9 (*Evolution of Capital*)). According to its main commercial registration certificate, the Company's main activities include drilling of oil fields, drilling of natural gas fields, providing services related to oil extraction (except surveying services), services related to natural gas extraction (except surveying services), test drilling of mineral explorations and precious metals, drilling of tubular water wells, and drilling of manual water wells.

12.2 Ownership Structure

The following table summarises the shareholding structure of the Company pre-and post-Offering, reflecting also the New Shares post-Offering:

Table (12.1): Shareholding Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Shareholding (%)	Nominal Value (SAR)	Number of Shares	Shareholding (%)	Nominal Value (SAR)
The Industrialization and Energy Services Company (TAQA)	40,800,000	51.0%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A.	39,200,000	49.0%	392,000,000	30,527,000	34.3%	305,270,000
Public	-	-	-	26,700,000	30.0%	267,000,000
Total	80,000,000	100.0%	800,000,000	89,000,000	100.0%	890,000,000

Source: The Company.

For further details regarding the Shareholders and the shareholding structure of the Company, see Section 4.10 (*Current Shareholding Structure*).

12.3 The Subsidiary

Ofsat Arabia LLC is a limited liability company registered in Al Khobar, Kingdom of Saudi Arabia under commercial registration No. 2051062078 dated 28 Muharram 1401H (corresponding to 6 December 1980G) issued in Al Khobar, Kingdom of Saudi Arabia. The head office of the Subsidiary is located in Aljawharah District, Prince Sultan Road, P.O Box 20074, Al Khobar 31952, Kingdom of Saudi Arabia. The current share capital of the Subsidiary is one million Saudi Arabian Riyals (SAR 1,000,000), consisting of one hundred (100) ordinary shares, with a nominal value of ten thousand Saudi Arabian Riyals (SAR 10,000) per share. According to its main commercial registration certificate, the Subsidiary's principal activities include services related to oil extraction except surveying services, services related to natural gas extraction except surveying services, renting and operational leasing of passenger cars (without drivers), renting and operational leasing of trucks, utility trailers and recreational vehicles (without drivers), renting buses (without drivers), and repair and maintenance of mining, construction, and oil and gas field machinery.

The following table sets out the ownership structure of the Company's wholly owned Subsidiary, as well as the Company's shares in it as of the date of this Prospectus:

Table (12.2): The Ownership Structure of the Subsidiary as of the Date of this Prospectus

No.	Name of the Owning Company	Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
1.	Arabian Drilling Company	Ofsat Arabia LLC	Kingdom of Saudi Arabia	100.0%	-	-

Source: The Company.

12.4 Government Consents, Licences and Certificates

The Company and the Subsidiary hold several operational and regulatory licences and certificates from relevant competent authorities which are periodically renewed. The Directors declare that the Company and the Subsidiary obtained all licences and certificates necessary to execute their operations in order to engage in the relevant activities, except for certain operational licences expired or not obtained, as disclosed in Table 12.5 (Summary of Operational Licences Obtained by the Company and the Subsidiary). The following tables list licences and certificates held by the Company and the Subsidiary as of the date of this Prospectus:

Table (12.3): Details of Commercial Registration Certificates Obtained by the Company and the Subsidiary

No.	Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
1.	Arabian Drilling Company	Al Khobar, Kingdom of Saudi Arabia	Closed joint stock company	2051026089	3 Safar 1423H (corresponding to 16 April 2002G)	24 Jumada al-Akhirah 1445H (corresponding to 6 January 2024G)
2.	Ofsat Arabia LLC	Al Khobar, Kingdom of Saudi Arabia	Limited liability company	2051062078	28 Muharram 1401H (corresponding to 6 December 1980G)	3 Jumada al-Akhirah 1445H (corresponding to 16 December 2023G)

Source: The Company.

Table (12.4): Details of Regulatory Licences and Certificates Obtained by the Company and the Subsidiary

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Arabian Drilling Company	Ministry of Investment	2031047241	Services investment licence	18 Shawwal 1424H (corresponding to 13 December 2003G)	14 Jumada al-Akhirah 1445H (corresponding to 27 December 2023G)
	Ministry of Human Resource and Social Development	140313-52640065	Certificate of compliance with Saudization requirements	9 Thul-Qi'dah 1443H (corresponding to 8 June 2022G)	10 Safar 1444H (corresponding to 6 September 2022G)
	Ministry of Human Resource and Social Development	20042203000408	Certificate of wage protection	28 Sha'ban 1443H (corresponding to 31 March 2022G)	1 Thul-Hijjah 1443H (corresponding to 30 June 2022G)
	Eastern Province Chamber of Commerce and Industry	1020	Chamber of Commerce and Industry membership certificate	16 Rajab 1442H (corresponding to 28 February 2021G)	24 Jumada al-Akhirah 1445H (corresponding to 6 January 2024G)
	ZATCA	1110217967	Certificate enabling the Company to finalise all processes	26 Ramadan 1443H (corresponding to 27 April 2022G)	10 Shawwal 1444H (corresponding to 30 April 2023G)
	ZATCA	3000001154	VAT registration certificate	16 Thul-Hijjah 1442H (corresponding to 26 July 2021G)	N/A
	GOSI	47097719	Certificate of fulfilment of obligations	22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G)	21 Thul-Hijjah 1443H (corresponding to 20 July 2022G)
	GOSI	47097850	Certificate of fulfilment of obligations	22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G)	21 Thul-Hijjah 1443H (corresponding to 20 July 2022G)
Ofsat Arabia LLC	Ministry of Investment	122030065228	Services investment licence	28 Muharram 1401H (corresponding to 6 December 1980G)	3 Jumada al-Akhirah 1445H (corresponding to 16 December 2023G)
	Ministry of Human Resource and Social Development	115492-35124704	Certificate of compliance with Saudization requirements	9 Thul-Qi'dah 1443H (corresponding to 8 June 2022G)	10 Safar 1444H (corresponding to 6 September 2022G)
	Ministry of Human Resource and Social Development	20152206000777	Certificate of wage protection	9 Thul-Qi'dah 1443H (corresponding to 8 June 2022G)	12 Safar 1444H (corresponding to 8 September 2022G)

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
	Eastern Province Chamber of Commerce and Industry	2119	Chamber of Commerce and Industry membership certificate	27 Jumada al-Akhirah 1440H (corresponding to 4 March 2019G)	3 Jumada al-Akhirah 1445H (corresponding to 16 December 2023G)
	ZATCA	1110045693	Certificate enabling the Company to finalise all processes	26 Ramadan 1443H (corresponding to 27 April 2022G)	10 Shawwal 1444H (corresponding to 30 April 2023G)
	ZATCA	3004499453	VAT registration certificate	9 Rabi' al-Thani 1442H (corresponding to 24 November 2020G)	N/A
	GOSI	47097785	Certificate of fulfilment of obligations	22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G)	21 Thul-Hijjah 1443H (corresponding to 20 July 2022G)

Source: The Company.

Table (12.5): Summary of Operational Licences Obtained by the Company and the Subsidiary

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Arabian Drilling Company	Eastern Region Municipality, Kingdom of Saudi Arabia	40021694721	Engaging in commercial activities	23 Muharram 1433H (corresponding to 18 December 2011G)	22 Muharram 1447H (corresponding to 17 July 2025G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	14381101144433	Civil defence licence	1 Thul-Qi'dah 1438H (corresponding to 24 July 2017G)	1 Thul-Qi'dah 1439H (corresponding to 14 July 2018G) [1]
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [2]	Engaging in drilling of oil fields	N/A	N/A
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [2]	Engaging in drilling of natural gas fields	N/A	N/A
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [2]	Engaging in services related to oil extraction (except surveying services)	N/A	N/A
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [2]	Engaging in services related to natural gas extraction (except surveying services)	N/A	N/A
	Saudi Aramco [3]	10005493	Registration as vendor/service provider with Saudi Aramco [1]	N/A	N/A
	Ministry of Environment, Water and Agriculture, Kingdom of Saudi Arabia	10455	Engaging in services of tubular water wells	15 Shawwal 1442H (corresponding to 27 May 2021G)	15 Shawwal 1445H (corresponding to 24 April 2024G)
Ofsat Arabia LLC	Eastern Region Municipality, Kingdom of Saudi Arabia	43026444858	Engaging in commercial activities	14 Muharram 1443H (corresponding to 22 August 2021G)	13 Muharram 1444H (corresponding to 11 August 2022G)
	General Directorate of Civil Defence, Kingdom of Saudi Arabia	Licence pending issuance [4]	Civil defence licence	N/A	N/A
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [5]	Engaging in services related to oil extraction except surveying services	N/A	N/A
	Ministry of Energy, Kingdom of Saudi Arabia	Licence not available [5]	Engaging in services related to natural gas extraction except surveying services	N/A	N/A

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
	Transport General Authority, Kingdom of Saudi Arabia	13/00000320	Engaging in renting and operational leasing of trucks, utility trailers and recreational vehicles (without drivers)	29 Rabi' al-Awwal 1443H (corresponding to 4 November 2021G)	29 Rabi' al-Awwal 1446H (corresponding to 2 October 2024G)

Source: The Company.

(1) The licence is expired. The Company expects to renew this licence by mid-May 2022G.

(2) The Company contacted the Ministry of Energy in connection with the missing licences, and has received instructions from the Ministry of Energy to refer to Saudi Aramco to register and obtain the relevant documentation for the purpose of engaging in the relevant activities, as an alternative to obtaining the required licences from the Ministry of Energy in its capacity as regulator. This may further be considered in light of the Concession Agreement by and between the Saudi Arabian government and Saudi Arabian Oil Company (Aramco) dated 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) (the "**Concession**") and the concession licence dated 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) relating to the same, pursuant to which Saudi Aramco is granted certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrocarbons located within certain areas of the Kingdom. Such rights may not be assigned pursuant to the Concession. However, pursuant to the Hydrocarbons Law, Saudi Aramco in its capacity as a licenced entity in hydrocarbons operations, including oil drilling, may assign such rights, subject to prior written approval from the Minister of Energy. The Company is a registered vendor/service provider with Saudi Aramco, under vendor number 10005493. The Company has also confirmed that after checking with Saudi Aramco, no further registration or action is required by the Company in connection with such licences.

(3) The referenced certification is not an operational licence issued by a regulatory authority. However, it has been listed in the table of operational licences in light of the instructions from the Ministry of Energy with respect to the requirement to register with Saudi Aramco for the purpose of engaging in activities overseen by the said ministry.

(4) The licence is pending. The Company expects to obtain this licence by November 2022G.

(5) The Subsidiary intends to address and regularise the Ministry of Energy licences in a similar manner to those of the Company, as the Subsidiary is currently in the process of qualifying as a vendor/service provider with Saudi Aramco, following which it shall contact the Ministry of Energy for the purpose of obtaining the required licences and/or receiving confirmation regarding the adequacy of registering with Saudi Aramco. The Company expects the Subsidiary to finalise the required processes in connection with the referenced licences by November 2022G.

12.5 Material Agreements

The Company and the Subsidiary have entered into a number of agreements for the purpose of their business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares; noting that the Company does not consider any of the business agreements entered into by the Subsidiary material in connection with the same. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this Section and that there are no other agreements, which are material in the context of the Company's business, that have not been disclosed. As of the date of this Prospectus, the Company has not breached any of provisions of the material business agreements during the relevant term of such agreements and is not aware of any event which with the passing of time may become a breach or default under any such agreements. These summaries do not purport to describe all the applicable provisions of such agreements. For further details on the Company's financing agreements, lease agreements, and insurance policies, see Section 12.6 (*Financing Agreements*), Section 12.10.2 (*Leases*), and Sections 12.9 (*Insurance Policies*). The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered into by the Company for the purposes of its business:

Table (12.6): Details of Material Agreements

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Agreements with Key Suppliers				
Contract for Supply of Parts (Contract No. 38-2016)	The Company (as the purchaser) and Nov Saudi Arabia Trading (as the supplier)	The Company has entered into a supply contract for the purpose of purchasing parts from the supplier, including rig equipment and tools.	The contact was concluded on 30 Muharram 1438H (corresponding to 1 November 2016G) for a term of one year commencing from the service commencement date and expiring on 12 Rabi' al-Thani 1439H (corresponding to 31 December 2017G). The term of the contact is subject to automatic renewal for a similar period unless terminated by either party.	SAR 35,147,068 (for the financial year ended 31 December 2021G)
Contract for Rig Purchase (Contract No. 08-2020)	The Company (as the purchaser) and Honghua Golden Coast Equipment FZE Company (as the supplier)	The Company has entered into rig purchase contract for the purchase of Rig AD28.	The contract was concluded on 5 Jumada al-Akhirah 1441H (corresponding to 31 January 2020G), for a term expiring on the completion of the product warranty, in accordance with the terms of the contract.	SAR 3,270,386 (for the financial year ended 31 December 2021G)
Transactions on a Purchase Order Basis	The Company (as the purchaser) and Cameron Al Rushaid Co. LTD (as the supplier)	The Company has made several purchases for equipment, machinery and repair services from the supplier, on a purchase order basis.	-	SAR 33,270,726.89 (for the financial year ended 31 December 2021G)
Bareboat Charter Agreement (Hull Number 352)	The Company (as the lessee) and FELS ASSET CO 3 PTE. LTD. (as the owner)	The Company has entered into an agreement with the other party for lease of the vessel, specifically a drilling rig (currently with Hull Number 352, to be renamed AD110 upon receipt), based on certain specifications, including equipment, machinery, boilers, installations and fittings.	The agreement was concluded on 10 Sha'ban 1443H (corresponding to 13 March 2022G), for a term of three years as of the operation commencement date, upon delivery of the vessel to the Company. The term of the agreement may be extended for additional period(s) upon a written notice delivered by the Company, provided that the extension notice does not precede the activation of the contractual purchase option by the Company or the disposal of the vessel ownership by the owner before the expiry of the term of the agreement.	N/A (Financial year ended 31 December 2021G) The rental cost of the drilling rig under the agreement amounts to SAR 33,000,000 per year [1]

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Bareboat Charter Agreement (Hull Number 373)	The Company (as the lessee) and FELS ASSET CO 4 PTE. LTD. (as the owner)	The Company has entered into an agreement with the other party for lease of the vessel, specifically a drilling rig (currently with Hull Number 373, to be renamed AD110 upon receipt), based on certain specifications, including equipment, machinery, boilers, installations and fittings.	The agreement was concluded on 10 Sha'ban 1443H (corresponding to 13 March 2022G), for a term of three years as of the operation commencement date, upon delivery of the vessel to the Company. The term of the agreement may be extended for additional period(s) upon a written notice delivered by the Company, provided that the extension notice does not precede the activation of the contractual purchase option by the Company or the disposal of the vessel ownership by the owner before the expiry of the term of the agreement.	N/A (Financial year ended 31 December 2021G) The rental cost of the drilling rig under the agreement amounts to SAR 33,000,000 per year (1)
Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690975) Sale and Purchase Agreement	The Company (as the purchaser) and Cantarell I, LDI (Madeira Free Zone) (as the seller)	The Company has entered into an agreement with the other party for purchase of a Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690975), including licenses to operate the related information systems or assign them to the Company, operating manuals, parts, equipment, inventory and drawings. The parties agreed on the purchase price, which consists of: (i) a security deposit of 10.0% of the purchase price paid to an escrow account; and (ii) a final payment representing the remainder of the purchase price. The sale is completed after the prerequisites are met (or waived).	The agreement was concluded on 24 Shawwal 1443H (corresponding to 25 May 2022G). The sale shall be completed on or before: (i) 3 Muharram 1444H (corresponding to 1 August 2022G) on the condition that it is carried out later than 16 Thul-Qi'dah 1443H (corresponding to 15 June 2022G); and (ii) after meeting (or waiving) the prerequisites.	N/A (Financial year ended 31 December 2021G) The purchase cost of the drilling rig under the agreement amounts to SAR 285,000,000 (1)

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Cantarell II Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690987) Sale and Purchase Agreement	The Company (as the purchaser) and Cantarell II, LDI (Madeira Free Zone) (as the seller)	The Company has entered into an agreement with the other party for purchase of a Cantarell II Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690987), including licenses to operate the related information systems or assign them to the Company, operating manuals, parts, equipment, inventory and drawings. The parties agreed on the purchase price, which consists of: (i) a security deposit of 10.0% of the purchase price paid to an escrow account; and (ii) a final payment representing the remainder of the purchase price. The sale is completed after the prerequisites are met (or waived).	The agreement was concluded on 24 Shawwal 1443H (corresponding to 25 May 2022G). The sale shall be completed on or before: (i) 3 Muharram 1444H (corresponding to 1 August 2022G) on the condition that it is carried out later than 16 Thul-Qi'dah 1443H (corresponding to 15 June 2022G); and (ii) after meeting (or waiving) the prerequisites.	N/A (Financial year ended 31 December 2021G) The purchase cost of the drilling rig under the agreement amounts to SAR 285,000,000 (1)
Total:				**The total value of the seven agreements with key suppliers detailed herein is SAR 71,688,180.89 (for the financial year ended 31 December 2021G) (1)**
Agreements with Key Customers				
Contract for Onshore Drilling Rig (Contract No. 6400040874 Rig AD12)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in Shaybah, the Kingdom.	The contract was concluded on 22 Sha'ban 1417H (corresponding to 1 January 1997G) and it was since then extended multiple times, with the latest extended term expiring on 28 Rabi' al-Thani 1446H (corresponding to 31 October 2024G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	
Contract for Onshore Drilling and Workover Rig (Contract No. 6600044648 Rig AD14)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 29 Ramadan 1440H (corresponding to 3 June 2019G) for a term commencing from the service commencement date and expiring on 6 Thul-Hijjah 1446H (corresponding to 2 June 2025G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling Rig (Contract No. 6600042600 Rig AD15)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 29 Thul-Hijjah 1439H (corresponding to 9 September 2018G) for a term commencing from the service commencement date and expiring on 14 Rabi' al-Thani 1444H (corresponding to 9 November 2022G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	
Contract for Onshore Drilling and Workover Rig (Contract No. 6600023226 Rig AD16)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 29 Rajab 1430H (corresponding to 22 July 2009) and it was since then extended multiple times, with the latest extended term expiring on 15 Sha'ban 1444H (corresponding to 7 March 2023G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	
Contract for Onshore Drilling and Workover Rig (Contract No. 6600018919 Rig AD17)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 21 Ramadan 1428H (corresponding to 3 October 2007G) and it was since then extended multiple times, with the latest extended term expiring on 22 Shawwal 1445H (corresponding to 1 May 2024G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Rental and Operation of a Self-Elevating Vessel AD20 with Surface Well Testing Equipment (Contract No. HD4530F17 Rig AD20)	The Company (as the service provider) and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer)	The Company has entered into a rental and operation of a self-elevating vessel AD20 with surface well testing equipment contract for the purpose of providing a self-elevating jack up barge and accessories, and operation services in Al-Khafji, under Al-Khafji Joint Operations.	The contract was concluded on 25 Ramadan 1438H (corresponding to 20 June 2017G) and it was since then extended multiple times, with the latest extended term expiring on 14 Rabi' al-Thani 1443H (corresponding to 19 November 2021G), extended until 5 Jumada al-Ula 1445H (corresponding to 19 November 2023G), pursuant to an extension letter. The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600030121 Rig AD21)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 2 Rabi' al-Awwal 1434H (corresponding to 14 January 2013G) and it was since then extended multiple times, with the latest extended term expiring on 24 Shawwal 1444H (corresponding to 14 May 2023G). The term of the contract may be extended for additional period(s) by written notice from the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling and Workover Rig (Contract No. 6600023931 Rig AD23)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 18 Jumada al-Akhirah 1431H (corresponding to 1 June 2010G) and it was since then extended multiple times, with the latest extended term expiring on 4 Thul-Hijjah 1446H (corresponding to 31 May 2025G) The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600028513 Rig AD29)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 18 Rajab 1433H (corresponding to 8 June 2012G) and it was since then extended multiple times, with the latest extended term expiring on 8 Jumada al-Ula 1447H (corresponding to 30 October 2025G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Offshore Drilling and Workover by Jack-up Rig (Contract No. HQ659ED19 Rig AD30)	The Company (as the service provider) and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer)	The Company has entered into an offshore drilling and workover by jack-up rig contract for the purpose of providing rig and equipment to the customer to the customer, in addition to drilling, workover and exploration drilling services by jack-up rig and other associated services with rig operations.	The contract was concluded on 13 Thul-Qi'dah 1442H (corresponding to 23 June 2021G), for a term commencing from 19 Jumada al-Ula 1443H (corresponding to 23 December 2021G) and expiring on 13 Rajab 1448H (corresponding 22 December 2026G). The term of the agreement may be extended for additional period(s) by a written notice from the customer.	
Contract for Onshore Drilling and Workover Rig (Contract No. 6600011969 Rig AD31)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 23 Ramadan 1425H (corresponding to 6 November 2004G) and it was since then extended multiple times, with the latest extended term expiring on 14 Shawwal 1444H (corresponding to 14 May 2023G). The contract was suspended on 14 Ramadan 1441H (corresponding to 7 May 2020G) and resumed on 14 Rabi' al-Awwal 1443H (corresponding to 20 October 2021G). The contract will be extended for a term equivalent to the suspension period. The term of the contract may be extended for additional period(s) by written notice from the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600011970 Rig AD32)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 23 Ramadan 1425H (corresponding to 6 November 2004G) and it was since then extended multiple times, with the latest extended term expiring on 10 Ramadan 1441H (corresponding to 3 May 2020G). The contract was suspended on 23 Shawwal 1441H (corresponding to 15 June 2020G and resumed on 8 Jumada al-Ula 1443H (corresponding to 12 December 2021G). The contract will be extended for a term equivalent to the suspension period. The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023327 Rig AD34)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 26 Shawwal 1430H (corresponding to 15 October 2009G) and it was since then extended multiple times, with the latest extended term expiring on 24 Sha'ban 1447H (corresponding to 12 February 2026G).The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023228 Rig AD35)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 7 Sha'ban 1430H (corresponding to 29 July 2009G) and it was since then extended multiple times, with the latest extended term expiring on 5 Sha'ban 1447H (corresponding to 24 January 2026G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023985 Rig AD36)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 15 Rabi' al-Awwal 1431H (corresponding to 1 March 2010G) and it was since then extended multiple times, with the latest extended term expiring on 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G). The term of the contract may be extended for additional period(s) by written notice from the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201802 Rig AD41, 42, 43, 46, 55, 56, 59, 61, 64, 65, 66 and 67)	The Company (as the service provider) and Schlumberger Middle East S.A. Company (as the customer)	The Company has entered into an onshore drilling rig contract for the purpose of drilling 129 wells in Ghawar field and other fields in the Kingdom.	The contract was concluded on 28 Jumada al-Ula 1439H (corresponding to 14 February 2018G) for an initial 3-year term that was extended twice, with the latest extended term expiring on 12 Rajab 1443H (corresponding to 13 February 2022G), extended until 19 Safar 1444H (corresponding to 15 September 2022G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600043584 Rig AD45)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 15 Jumada al-Akhirah 1440H (corresponding to 20 February 2019G) for a term commencing from the service commencement date and expiring on 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600034160 Rig AD47)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) for a term commencing from the service commencement date and expiring on 14 Rajab 1444H (corresponding to 5 February 2023G). The contract was suspended on 12 Shawwal 1441H (corresponding to 4 June 2020G). The contract will be extended for a term equivalent to the suspension period. The term of the contract may be extended for additional period(s) by written notice from the customer. As of the date of this Prospectus, the Company is working to resume the drilling rig and expects operations to resume on 3 Muharram 1444H (corresponding to 1 August 2022G).	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling Rig (Contract No. 6600034161 Rig AD48)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 12 Safar 1436H (corresponding to 4 December 2014G) and it was since then extended multiple times, with the latest extended term expiring on 8 Ramadan 1444H (corresponding to 30 March 2023G). The contract was suspended on 18 Muharram 1442H (corresponding to 6 September 2020G) and resumed on 29 Jumada al-Ula 1442H (corresponding to 13 January 2021G). The contract will be extended for a term equivalent to the suspension period. The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600034162 Rig AD49)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) for a term commencing from the service commencement date and expiring on 24 Rabi' al-Thani 1445H (corresponding to 8 November 2023G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Offshore Drilling and Workover Rig (Contract No. 6600029751 Rig AD50)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 9 Safar 1434H (corresponding to 22 December 2012G) and it was since then extended multiple times, with the latest extended term expiring on 17 Thul-Qi'dah 1446H (corresponding to 15 May 2025G).	
Contract for Onshore Drilling Rig (Contract No. 6600034364 Rig AD51)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 22 Thul-Qi'dah 1436H (corresponding to (6 September 2015G) and it was since then extended multiple times, with the latest extended term expiring on 10 Rabi' al-Thani 1444H (corresponding to 4 November 2022G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Onshore Drilling Rig (Contract No. 6600034365 Rig AD52)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an onshore drilling contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) and it was since then extended multiple times, with the latest extended term expiring on 6 Jumada al-Ula 1444H (corresponding to 30 November 2022G). The term of the contract may be extended for additional period(s) by written notice from the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD53 and 54)	The Company (as the service provider) and Schlumberger Middle East S.A Company (as the customer)	The Company has entered into an onshore drilling rigs contract for the purpose of drilling 110 wells in Khurais, Mazalij, Abu-Jifan, Ghawar and Abqaiq fields in the Kingdom.	The contract was concluded on 22 Sha'ban 1439H (corresponding to 8 May 2018G) for an initial term of three years extended once for another one year, with the latest extended term expiring on 7 Shawwal 1443H (corresponding to 8 May 2022G). AD54 was released by the customer on 9 Thul-Hijjah 1442H (corresponding to 19 July 2021G). In March 2022G, the Company received a letter of award from a new customer for a 3-year contract for both AD53 and AD54 with start date by the end of second quarter in 2022G.	
Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD57, 58, 62, 63 and 68)	The Company (as the service provider) Dowell Schlumberger Saudi Arabia Company (as the customer)	The Company has entered into an onshore drilling rigs contract for the purpose of drilling 70 wells in Ain Dar, Fazran, Abqaiq, Fadhili, Khursaniyah and Abu Hadriya fields in the Kingdom.	The contract was concluded on 9 Sha'ban 1439H (corresponding to 25 April 2018G(for an initial term of three years extended once for another one year, with the latest extended term expiring on 5 Shawwal 1444H (corresponding to 25 April 2023G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Offshore Drilling Rig and Workover Rig (Contract No. 6600031590 Rig AD60)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 5 Thul-Qi'dah 1434H (corresponding to 11 September 2013G) and it was since then extended multiple times, with the latest extended term expiring on 29 Ramadan 1444H (corresponding to 20 April 2023G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Offshore Drilling Rig and Workover Rig (Contract No. 6600044024 Rig AD70)	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 20 Sha'ban 1440H (corresponding to 25 April 2019G) for an initial term of three years extended once for another three years, with the extended term expiring on 6 Muharram 1447H (corresponding to 1 July 2025G). The term of the contract may be extended for additional period(s) by written notice from the customer.	
Contract for Offshore Workover Operations by Jack-up Rig (Contract No. HQ397ED16 Rig AD80)	The Company (as the service provider) and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 8 Thul-Qi'dah 1440H (corresponding to 11 July 2019G) for a term commencing from the service commencement date and expiring on 8 Muharram 1446H (corresponding 14 July 2024G). The term of the contract may be extended for additional period(s) by written notice from the customer.	

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Contract for Offshore Drilling and Workover Rig (Contract No. 6600050764 (AD110))	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 17 Sha'ban 1443H (corresponding to 20 March 2022G) for a term of three years commencing from the service commencement date. The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	
Contract for Offshore Drilling and Workover Rig (Contract No. 6600050765 (AD120))	The Company (as the service provider) and Saudi Aramco (as the customer)	The Company has entered into an offshore drilling and workover rig contract for the purpose of drilling in search of oil and gas and drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer.	The contract was concluded on 17 Sha'ban 1443H (corresponding to 20 March 2022G) for a term of three years commencing from the service commencement date. The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer.	
Subcontract for Onshore Drilling Rigs (Ghawar Field LSTK 2022)	The Company (as the subcontractor) and Baker Hughes Saudi Arabia (as the contractor)	The Company has entered into a subcontract for the purpose of providing 2,000 HP onshore drilling rigs, namely AD53 and AD54, and associated services, including personnel, equipment and related materials. The subcontract was concluded for the purpose of supporting the contractor in Contract No. 6600050677 entered into with the end customer.	The subcontract was concluded on 14 Ramadan 1443H (corresponding to 15 April 2022G) for a term of three years commencing from the operation commencement date under the main contract with the end customer and expiring on 16 Shawwal 1446H (corresponding to 14 April 2025G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the contractor.	
Total:				**The total value of the 30 agreements with key customers detailed herein is SAR 2,182,875,791.01 (for the financial year ended 31 December 2021G)** [2]

Source: The Company.

(1) The value of the agreements referred to is not included in the total value of the agreements with the main suppliers as they were concluded between March and May 2022G.

(2) The values of each of the 30 agreements with key customers detailed in the table above have not been disclosed on a standalone basis as the Company considers such information commercially sensitive.

12.5.1 Agreements with Key Suppliers

12.5.1.1 Contract for Supply of Parts (Contract No. 38-2016) between the Company and Nov Saudi Arabia Trading

The Company (as the purchaser) has entered into a parts supply contract with Nov Saudi Arabia Trading (as the supplier) for the purpose of purchasing parts from the supplier, including rig equipment and tools. The value of this contract amounted to SAR 35,147,068 for the financial year ended 31 December 2021G. The contact was concluded on 30 Muharram 1438H (corresponding to 1 November 2016G) for a term of one year commencing from the service commencement date and expiring on 12 Rabi' al-Thani 1439H (corresponding to 31 December 2017G), automatically renewable. The contract shall be governed by the laws of the Kingdom.

12.5.1.2 Contract for Rig Purchase (Contract No. 08-2020) between the Company and Honghua Golden Coast Equipment FZE Company

The Company (as the purchaser) has entered into a rig purchase contract with Honghua Golden Coast Equipment FZE Company (as the supplier) for the purpose of the Company's Rig AD28. The value of this contract amounted to SAR 3,270,386 for the financial year ended 31 December 2021G. The contract was concluded on 5 Jumada al-Akhirah 1441H (corresponding to 31 January 2020G), for a term expiring on the completion of the product warranty, in accordance with the terms of the contract. The contract shall be governed by the laws of England and Wales.

12.5.1.3 Transactions on a Purchase Order Basis between the Company and Cameron Al Rushaid LTD

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Cameron Al Rushaid LTD (as the supplier). The total value of the purchase orders amounted to SAR 33,270,726.89 for the financial year ended 31 December 2021G. The purchase orders were not issued pursuant to a framework agreement between the Company and Cameron Al Rushaid LTD.

12.5.1.4 Bareboat Charter Agreement (Hull Number 352) between the Company and FELS ASSET CO 3 PTE. LTD.

The Company (as the lessee) has entered into a bareboat charter agreement with FELS ASSET CO 3 PTE. LTD. (as the owner) for the purpose leasing a vessel, specifically a drilling rig (currently with Hull Number 352, to be renamed AD110 upon receipt), based on certain specifications, including equipment, machinery, boilers, installations and fittings. The agreement was concluded on 10 Sha'ban 1443H (corresponding to 13 March 2022G), for a term of three years as of the operation commencement date, upon delivery of the vessel to the Company. The term of the agreement may be extended for additional period(s) upon a written notice delivered by the Company, provided that the extension notice does not precede the activation of the contractual purchase option by the Company or the disposal of the vessel ownership by the owner before the expiry of the term of the agreement. The lease cost of the drilling rig under the agreement amounts to SAR 33,000,000 per year. The agreement shall be governed by the laws of England and Wales. Any dispute arising from the agreement shall be settled and finally resolved by arbitration in accordance with the Arbitration Rules of the Singapore International Arbitration Centre.

12.5.1.5 Bareboat Charter Agreement (Hull Number 373) between the Company and FELS ASSET CO 4 PTE. LTD.

The Company (as the lessee) has entered into a bareboat charter agreement with FELS ASSET CO 4 PTE. LTD. (as the owner) for the purpose leasing a vessel, specifically a drilling rig (currently with Hull Number 373, to be renamed AD120 upon receipt), based on certain specifications, including equipment, machinery, boilers, installations and fittings. The agreement was concluded on 10 Sha'ban 1443H (corresponding to 13 March 2022G), for a term of three years as of the operation commencement date, upon delivery of the vessel to the Company. The term of the agreement may be extended for additional period(s) upon a written notice delivered by the Company, provided that the extension notice does not precede the activation of the contractual purchase option by the Company or the disposal of the vessel ownership by the owner before the expiry of the term of the agreement. The lease cost of the drilling rig under the agreement amounts to SAR 33,000,000 per year. The agreement shall be governed by the laws of England and Wales. Any dispute arising from the agreement shall be settled and finally resolved by arbitration in accordance with the Arbitration Rules of the Singapore International Arbitration Centre.

12.5.1.6 Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690975) Sale and Purchase Agreement between the Company and Cantarell I, LDI (Madeira Free Zone)

The Company (as the purchaser) has entered into a jack-up drilling rig sale and purchase agreement with Cantarell I, LDI (Madeira Free Zone), for the purpose of purchasing a Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690975), including licences to operate the related information systems or assignment of them to the Company, operating manuals, parts, equipment, inventory and drawings. The parties agreed on the purchase price, which consists of: (i) a security deposit of 10.0 per cent. of the purchase price paid to an escrow account; and (ii) a final payment representing the remainder of the purchase price. The sale is completed after the prerequisites are met (or waived). The agreement was concluded on 24 Shawwal 1443H (corresponding to 25 May 2022G). The sale shall be completed on or before: (i) 3 Muharram 1444H (corresponding to 1 August 2022G) on the condition that it is carried out later than 16 Thul-Qi'dah 1443H (corresponding to 15June 2022G); and (ii) after meeting (or waiving) the prerequisites. The purchase cost of the drilling rig under the agreement amounts to SAR 285,000,000, exclusive of costs of transportation, project management, crew services, equipment re-certification and fulfilment of customer readiness requirements. The agreement shall be governed by the laws of England and Wales. Any dispute arising from the agreement shall be settled and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration.

12.5.1.7 Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690987) Sale and Purchase Agreement between the Company and Cantarell I, LDI (Madeira Free Zone)

The Company (as the purchaser) has entered into a jack-up drilling rig sale and purchase agreement with Cantarell I, LDI (Madeira Free Zone), for the purpose of purchasing a Cantarell I Jack-Up Drilling Unit of Keppel Fels (IMO Number 9690987), including licences to operate the related information systems or assignment of them to the Company, operating manuals, parts, equipment, inventory and drawings. The parties agreed on the purchase price, which consists of: (i) a security deposit of 10.0% of the purchase price paid to an escrow account; and (ii) a final payment representing the remainder of the purchase price. The sale is completed after the prerequisites are met (or waived). The agreement was concluded on 24 Shawwal 1443H (corresponding to 25 May 2022G). The sale shall be completed on or before: (i) 3 Muharram 1444H (corresponding to 1 August 2022G) on the condition that it is carried out later than 16 Thul-Qi'dah 1443H (corresponding to 15 June 2022G); and (ii) after meeting (or waiving) the prerequisites. The purchase cost of the drilling rig under the agreement amounts to SAR 285,000,000, exclusive of costs of transportation, project management, crew services, equipment re-certification and fulfilment of customer readiness requirements. The agreement shall be governed by the laws of England and Wales. Any dispute arising from the agreement shall be settled and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration.

12.5.2 Agreements with Key Customers

12.5.2.1 Contract for Onshore Drilling Rig (Contract No. 6400040874 Rig AD12) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in Shaybah, the Kingdom. The contract was concluded on 22 Sha'ban 1417H (corresponding to 1 January 1997G) and it was since then extended multiple times, with the latest extended term expiring on 28 Rabi' al-Thani 1446H (corresponding to 31 October 2024G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.2 Contract for Onshore Drilling and Workover Rig (Contract No. 6600044648 Rig AD14) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 29 Ramadan 1440H (corresponding to 3 June 2019G) for a term commencing from the service commencement date and expiring on 6 Thul-Hijjah 1446H (corresponding to 2 June 2025G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.3 Contract for Onshore Drilling Rig (Contract No. 6600042600 Rig AD15) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 29 Thul-Hijjah 1439H (corresponding to 9 September 2018G) for a term commencing from the service commencement date and expiring on 14 Rabi' al-Thani 1444H (corresponding to 9 November 2022G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.4 Contract for Onshore Drilling and Workover Rig (Contract No. 6600023226 Rig AD16) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 29 Rajab 1430H (corresponding to 22 July 2009) and it was since then extended multiple times, with the latest extended term expiring on 15 Sha'ban 1444H (corresponding to 7 March 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.5 Contract for Onshore Drilling and Workover Rig (Contract No. 6600018919 Rig AD17) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 21 Ramadan 1428H (corresponding to 3 October 2007G) and it was since then extended multiple times, with the latest extended term expiring on 22 Shawwal 1445H (corresponding to 1 May 2024G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.6 Rental and Operation of a Self-Elevating Vessel AD20 with Surface Well Testing Equipment (Contract No. HD4530F17 Rig AD20) between the Company and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company)

The Company (as the service provider) has entered into a rental and operation of a multi-purpose self-elevating service vessel with surface well testing equipment contract with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer) for the purpose of providing a multi-purpose self-elevating service vessel jack up barge and accessories, and operation services in Al-Khafji, under Al-Khafji Joint Operations. The contract was concluded on 25 Ramadan 1438H (corresponding to 20 June 2017G) and it was since then extended multiple times, with the latest extended term expiring on 14 Rabi' al-Thani 1443H (corresponding to 19 November 2021G), extended until 5 Jumada al-Ula 1445H (corresponding to 19 November 2023G) pursuant to an extension letter, and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.7 Contract for Onshore Drilling Rig (Contract No. 6600030121 Rig AD21) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 2 Rabi' al-Awwal 1434H (corresponding to 14 January 2013G) and it was since then extended multiple times, with the latest extended term expiring on 24 Shawwal 1444H (corresponding to 14 May 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.8 Contract for Onshore Drilling and Workover Rig (Contract No. 6600023931 Rig AD23) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 18 Jumada al-Akhirah 1431H (corresponding to 1 June 2010G) and it was since then extended multiple times, with the latest extended term expiring on 4 Thul-Hijjah 1446H (corresponding to 31 May 2025G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.9 Contract for Onshore Drilling Rig (Contract No. 6600028513 Rig AD29) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 18 Rajab 1433H (corresponding to 8 June 2012G) and it was since then extended multiple times, with the latest extended term expiring on 8 Jumada al-Ula 1447H (corresponding to 30 October 2025G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.10 Contract for Offshore Drilling and Workover by Jack-up Rig (Contract No. HQ659ED19 Rig AD30) between the Company and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company)

The Company (as the service provider) has entered into an offshore drilling and workover by jack-up rig contract with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer) for the purpose of providing rig and equipment to the customer, in addition to drilling, workover and exploration drilling services by jack-up rig and other associated services with rig operations. The contract was concluded on 13 Thul-Qi'dah 1442H (corresponding to 23 June 2021G), for a term commencing from 19 Jumada al-Ula 1443H (corresponding to 23 December 2021G) and expiring on 13 Rajab 1448H (corresponding 22 December 2026G). The term of the agreement may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom.

12.5.2.11 Contract for Onshore Drilling and Workover Rig (Contract No. 6600011969 Rig AD31) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 23 Ramadan 1425H (corresponding to 6 November 2004G) and it was since then extended multiple times, with the latest extended term expiring on 14 Shawwal 1444H (corresponding to 14 May 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.12 Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600011970 Rig AD32) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 23 Ramadan 1425H (corresponding to 6 November 2004G) and it was since then extended multiple times, with the latest extended term expiring on 10 Ramadan 1441H (corresponding to 3 May 2020G), and may be extended for additional period(s) by a written notice from the customer. The contract was suspended on 23 Shawwal 1441H (corresponding to 15 June 2020G) and resumed on 8 Jumada al-Ula 1443H (corresponding to 12 December 2021G), and will be extended for a term equivalent to the suspension period. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.13 Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023327 Rig AD34) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 26 Shawwal 1430H (corresponding to 15 October 2009G) and it was since then extended multiple times, with the latest extended term expiring on 24 Sha'ban 1447H (corresponding to 12 February 2026G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.14 Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023228 Rig AD35) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 7 Sha'ban 1430H (corresponding to 29 July 2009G) and it was since then extended multiple times, with the latest extended term expiring on 5 Sha'ban 1447H (corresponding to 24 January 2026G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.15 Contract for Onshore Drilling Rig and Workover Rig (Contract No. 6600023985 Rig AD36) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 15 Rabi' al-Awwal 1431H (corresponding to 1 March 2010G) and it was since then extended multiple times, with the latest extended term expiring on 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.16 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201802 Rig AD41, 42, 43, 46, 55, 56, 59, 61, 64, 65, 66 and 67) between the Company and Schlumberger Middle East S.A Company

The Company (as the service provider) has entered into an onshore drilling rigs contract with Schlumberger Middle East S.A Company (as the customer) for the purpose of drilling 129 wells in Ghawar field and other fields in the Kingdom. The contract was concluded on 28 Jumada al-Ula 1439H (corresponding to 14 February 2018G) for an initial three-year term that was extended twice, with the latest extended term expiring on 12 Rajab 1443H (corresponding to 13 February 2022G), extended until 19 Safar 1444H (corresponding to 15 September 2022G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.17 Contract for Onshore Drilling Rig (Contract No. 6600043584 Rig AD45) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 15 Jumada al-Akhirah 1440H (corresponding to 20 February 2019G) for a term commencing from the service commencement date and expiring on 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.18 Contract for Onshore Drilling Rig (Contract No. 6600034160 Rig AD47) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rigs contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) for a term commencing from the service commencement date and expiring on 14 Rajab 1444H (corresponding 5 February 2023G) and may be extended for additional period(s) by written notice from the customer. The contract was suspended on 12 Shawwal 1441 (corresponding to 4 June 2020G), and will be extended for a term equivalent to the suspension period. As of the date of this Prospectus, the Company is working to resume the drilling rig and expects operations to resume on 3 Muharram 1444H (corresponding to 1 August 2022G). The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.19 Contract for Onshore Drilling Rig (Contract No. 6600034161 Rig AD48) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 12 Safar 1436H (corresponding to 4 December 2014G) and it was since then extended multiple times, with the latest extended term expiring on 8 Ramadan 1444H (corresponding to 30 March 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract was suspended on 18 Muharram 1442H (corresponding to 6 September 2020G) and resumed on 29 Jumada al-Ula 1442H (corresponding to 13 January 2021G). The contract will be extended for a term equivalent to the suspension period. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.20 Contract for Onshore Drilling Rig (Contract No. 6600034162 Rig AD49) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rigs contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) for a term commencing from the service commencement date and expiring on 24 Rabi' al-Thani 1445H (corresponding to 8 November 2023G), and may be extended for additional period(s) by written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.21 Contract for Offshore Drilling and Workover Rig (Contract No. 6600029751 Rig AD50) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 9 Safar 1434H (corresponding to 22 December 2012G) and it was since then extended multiple times, with the latest extended term expiring 17 Thul-Qi'dah 1446H (corresponding to 15 May 2025G). The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.22 Contract for Onshore Drilling Rig (Contract No. 6600034364 Rig AD51) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 22 Thul-Qi'dah 1436H (corresponding to 6 September 2015G) and it was since then extended multiple times, with the latest extended term expiring on 10 Rabi' al-Thani 1444H (corresponding to 4 November 2022G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.23 Contract for Onshore Drilling Rig (Contract No. 6600034365 Rig AD52) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an onshore drilling rigs contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at onshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 10 Safar 1436H (corresponding to 2 December 2014G) and it was since then extended multiple times, with the latest extended term expiring on 6 Jumada al-Ula 1444H (corresponding to 30 November 2022G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.24 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD53 and 54) between the Company and Schlumberger Middle East S.A Company

The Company (as the service provider) has entered into an onshore drilling rig contract with Schlumberger Middle East S.A Company (as the customer) for the purpose of drilling 110 wells in Khurais, Mazalij, AbuJifan, Ghawar and Abqaiq fields in the Kingdom. The contract was concluded on 22 Sha'ban 1439H (corresponding to 8 May 2018G) for an initial term of three years extended once for another one year, with the latest extended term expiring on 7 Shawwal 1443H (corresponding to 8 May 2022G). AD54 was released by the customer on 9 Thul-Hijjah 1442H (corresponding to 19 July 2021G). In March 2022G, the Company received a letter of award from a new customer for a 3-year contract for both AD53 and AD54 with start date by the end of second quarter in 2022G. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.25 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD57, 58, 62, 63 and 68) between the Company and Dowell Schlumberger Saudi Arabia Company

The Company (as the service provider) has entered into an onshore drilling rigs contract Dowell Schlumberger Saudi Arabia Company (as the customer) for the purpose of drilling 70 wells in Ain Dar, Fazran, Abqaiq, Fadhili, Khursaniyah and Abu Hadriya fields in the Kingdom. The contract was concluded on 9 Sha'ban 1439H (corresponding to 25 April 2018G) for an initial term of three years extended once for another one year, with the latest extended term expiring on 5 Shawwal 1444H (corresponding to 25 April 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.26 Contract for Offshore Drilling Rig and Workover Rig (Contract No. 6600031590 Rig AD60) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 5 Thul-Qi'dah 1434H (corresponding to 11 September 2013G) and it was since then extended multiple times, with the latest extended term expiring on 29 Ramadan 1444H (corresponding to 20 April 2023G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.27 Contract for Offshore Drilling Rig and Workover Rig (Contract No. 6600044024 Rig AD70) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Saudi Aramco (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 20 Sha'ban 1440H (corresponding to 25 April 2019G) for an initial term of three years extended once for another three years, with the extended term expiring on 6 Muharram 1447H (corresponding to 1 July 2025G). The term of the contract may be extended for additional period(s) by written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.28 Contract for Offshore Workover Operations by Jack-up Rig (Contract No. HQ397ED16 Rig AD80) between the Company and Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company)

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company) (as the customer) for the purpose of drilling in search of oil and gas and/or drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 8 Thul-Qi'dah 1440H (corresponding to 11 July 2019G) for a term commencing from the service commencement date and expiring on 8 Muharram 1446H (corresponding 14 July 2024G), and may be extended for additional period(s) by a written notice from the customer. The contract shall be governed by the laws of the Kingdom.

12.5.2.29 Contract for Offshore Drilling and Workover Rig (Contract No. 6600050764 (110AD)) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Saudi Aramco (as the customer), for the purpose of drilling in search of oil and gas and drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 17 Sha'ban 1443H (corresponding to 20 March 2022G) for a term of three years commencing from the service commencement date. The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer. The contract shall be governed by the laws of the Kingdom. Any dispute arising from the contract shall be settled amicably, failing which the dispute shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.30 Contract for Offshore Drilling and Workover Rig (Contract No. 6600050765 (120AD)) between the Company and Saudi Aramco

The Company (as the service provider) has entered into an offshore drilling and workover rig contract with Saudi Aramco (as the customer), for the purpose of drilling in search of oil and gas and drilling and completing the development of wells at offshore locations in the Kingdom, as instructed by the customer. The contract was concluded on 17 Sha'ban 1443H (corresponding to 20 March 2022G) for a term of three years commencing from the service commencement date. The term of the contract may be extended for additional period(s) upon a written notice delivered by the customer. The contract shall be governed by the laws of the Kingdom. Any dispute arising from the contract shall be settled amicably, failing which the dispute shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

12.5.2.31 Subcontract for Onshore Drilling Rigs (Ghawar Field LSTK 2022) between the Company and Baker Hughes Saudi Arabia

The Company (as the subcontractor) has entered into a subcontract for onshore drilling rigs with Baker Hughes Saudi Arabia (as the contractor), for the purpose of providing 2,000 HP onshore drilling rigs, namely AD53 and AD54, and associated services, including personnel, equipment and related materials. The subcontract was concluded for the purpose of supporting the contractor in Contract No. 6600050677 entered into with the end customer. The subcontract was concluded on 14 Ramadan 1443H (corresponding to 15 April 2022G) for a term of three years commencing from the operation commencement date under the main contract with the end customer and expiring on 16 Shawwal 1446H (corresponding to 14 April 2025G). The term of the contract may be extended for additional period(s) upon a written notice delivered by the contractor. The subcontract shall be governed by the laws of England and Wales. Any dispute arising from the subcontract shall be settled and finally resolved by arbitration in accordance with the UNCITRAL Arbitration Rules.

12.6 Financing Agreements

The Company has entered into three financing agreements relating to its business; noting that the Subsidiary has not entered into any financing agreements. The following is a summary of the financing agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. As of the date of this Prospectus, the Company has not breached any of provisions of the financing agreements during the relevant term of such agreements, and is not aware of any event which with the passing of time may become a breach or default under any financing agreement. These summaries include only the material provisions, not all applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The financing agreements to which the Company is a party include provisions that require the submission of a prior notification or obtaining prior written consent in connection with any change of control or change in the ownership structure of the Company, or when offering the Company's Shares for public subscription. The Company, in this regard, obtained all the consents required from the financers.

The following table sets out the financing agreements entered into by the Company for the purposes of its business:

Table (12.7): Details of Financing Agreements

Lender and Borrower	Type of Financing	Availability Period	Financing Amount
Banque Saudi Fransi (as the lender) and Arabian Drilling Company (as the borrower)	Banking Facilities (funded and non-funded facilities)	The loan availability period runs from 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G) until 27 Jumada al-Ula 1443H (corresponding to 31 December 2021G). (1)	SAR 660,438,245.30 (2)
The Saudi National Bank (formerly The National Commercial Bank) (as the lender) and Arabian Drilling Company (as the borrower)	Banking Facilities (funded and non-funded facilities)	The loan availability period runs from 10 Thul-Qi'dah 1441H (corresponding to 1 July 2020G) until 16 Jumada al-Ula 1442H (corresponding to 31 December 2020G). (3)	SAR 1,605,856,679.25 (4)
The Saudi National Bank (formerly Samba Financial Group) (as the lender) and Arabian Drilling Company (as the borrower)	Banking Facilities (funded and non-funded facilities)	The loan availability period runs from 1 Rabi' al-Awwal 1442H (corresponding to 18 October 2020G) until 20 Thul-Qi'dah 1442H (corresponding to 30 June 2021G). (5)	SAR 658,330,000 (6)

Source: The Company.

(1) The agreement is expired. The Company confirmed receipt of written confirmation from the lender confirming that the facilities shall remain available until a new agreement is executed in due course.

(2) As of 31 December 2021G, a total amount of SAR 499,916,455 is outstanding in connection with the banking facilities agreement concluded with Banque Saudi Fransi.

(3) The agreement is expired. The Company confirmed receipt of written confirmation from the lender confirming that the facilities shall remain available until a new agreement is executed in due course.

(4) As of 31 December 2021G, a total amount of SAR 987,219,235.06 is outstanding in connection with the banking facilities agreement concluded with The Saudi National Bank (formerly The National Commercial Bank)

(5) The agreement is expired. The Company confirmed receipt of written confirmation from the lender confirming that the facilities shall remain available until a new agreement is executed in due course.

(6) As of 31 December 2021G, a total amount of SAR 412,037,500 is outstanding in connection with the banking facilities agreement concluded with The Saudi National Bank (formerly Samba Financial Group).

12.6.1 Banking Facilities Agreement with Banque Saudi Fransi

The Company concluded a banking facilities agreement with Banque Saudi Fransi on 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G), whereby Banque Saudi Fransi agreed to provide the Company with banking facilities amounting to SAR 660,438,245.30. The banking facilities consist of:

- SAR 5,000,000 overdraft facility at an annual profit rate of 1.75 per cent. over SAIBOR subject to the Master Commodity Purchase and Sale Agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G);
- SAR 342,667,924 multipurpose facility at an annual profit rate of 1.25 per cent. over SAIBOR;
- SAR 213,500,000 Tawarruq facility for purchasing and selling of commodities at an annual profit rate of 0.80 per cent. over SAIBOR subject to the Master Commodity Purchase and Sale Agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G);
- SAR 17,306,033.30 facility for interest rate swap transactions relating to purchase of a new jack-up rig subject to the ISDA/IIFM Tahawwut Master Agreement; and
- SAR 81,964,288 Tawarruq facility for purchasing and selling of commodities at an annual profit rate of 0.80 per cent. over SAIBOR subject to the Master Commodity Purchase and Sale Agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G).

The agreement was concluded on 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G) and the facilities shall remain available until 27 Jumada al-Ula 1443H (corresponding to 31 December 2021G). The Company considers the agreement to be in line with prevailing market practices.

The guarantees provided under this agreement are as follows:

- a promissory note covering SAR 660,438,245.30 in favour of Banque Saudi Fransi;
- an assignment of contract proceeds from the Ghawar Gas Rig numbers AD41, AD42 and AD43, in connection with contract number SLB-ADC-201802 concluded with Schlumberger Middle East S.A. Company, in favour of Banque Saudi Fransi;
- an assignment of contract proceeds from the Offshore Drilling Rig 3000 HP for Rig number AD60, in connection with contract number 6600031590 concluded with Saudi Aramco, in favour of Banque Saudi Fransi;
- an assignment of insurance claims proceeds from the Ghawar Gas Rig numbers AD41, AD42 and AD43, in connection with contract number SLB-ADC-201802 concluded with Schlumberger Middle East S.A. Company, in favour of Banque Saudi Fransi; and
- an assignment of insurance claims proceeds from the Offshore Drilling Rig 3000 HP for Rig number AD60, in connection with contract number 6600031590 concluded with Saudi Aramco, in favour of Banque Saudi Fransi.

The main financial and non- financial covenants given by the Company under the agreement include the following:

- an undertaking to maintain a maximum leverage ratio of 2.5x at all times;
- an undertaking to maintain a minimum current ratio (comparing the Company's current assets to its current liabilities) of 0.9:1 at all times;
- a change of control of more than half of the voting power in the Company or more than half of the issued share capital of the Company;
- credit event on merger including events where (i) the Company consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by the Company as of the date of the agreement) to, or reorganises, reincorporates or reconstitutes into or as, another entity; (ii) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of equity securities having the power to elect a majority of the Board of Directors (or its equivalent) of the Company, or any other ownership interest enabling it to exercise control of the Company; or (iii) the Customer effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of preferred stock or other securities convertible into or exchangeable for debt or preferred stock;
- any institutional disposition, judicial procedures or other steps taken by the Company for its dissolution, restructuring or appointment of a trustee in bankruptcy for any or all of its assets or revenues (in relation to the Tawarruq facilities subject to the Master Commodity Purchase and Sale Agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G)); and
- any sale, leasing, transfer or disposition of all or any of its assets or revenues, whether in a single or multiple transactions (in relation to the Tawarruq facilities subject to the Master Commodity Purchase and Sale Agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G)).

As of 31 December 2021G, a total amount of SAR 499,916,455 is outstanding in connection with the banking facilities agreement concluded with Banque Saudi Fransi. The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to the Banking Committee.

Pursuant to a letter dated 19 Rajab 1443H (corresponding to 20 February 2022G), Banque Saudi Fransi consented to the Offering and waived the proposed change of control.

12.6.2 Banking Facilities Agreement with The Saudi National Bank (formerly The National Commercial Bank)

The Company concluded a banking facilities agreement with The National Commercial Bank (now The Saudi National Bank due the merger between The National Commercial Bank and Samba Financial Group) on 10 Thul-Qi'dah 1441H (corresponding to 1 July 2020G), whereby The Saudi National Bank (formerly The National Commercial Bank) agreed to provide the Company with banking facilities amounting to SAR 1,605,856,679.25. The financing consists of:

- SAR 5,000,000 facility for foreign currencies at an annual profit rate equivalent to the bank's treasury rate repayable within one year;
- SAR 60,000,000 facility for the purpose of hedging foreign exchange costs at an annual profit rate equivalent to the bank's treasury rate;
- SAR 75,000,000 facility for the purpose of issuing documentary letters of guarantee at an annual profit rate equivalent to the SAMA tariff rate;
- SAR 50,000,000 facility for the purpose of supporting the Company's working capital at an annual profit rate of 1.5 per cent. over SAIBOR;
- SAR 394,449,371.21 facility for the purpose of financing the Company's project with Saudi Aramco for a term of 36 months at an annual profit rate of 0.75 per cent. over SAIBOR; and
- SAR 1,021,407,308.04 facility for the purpose of purchasing petroleum offshore drilling rigs for a term of 60 months at an annual profit rate of 0.73 per cent. over SAIBOR.

The agreement was concluded on 10 Thul-Qi'dah 1441H (corresponding to 1 July 2020G) and the facilities shall remain available until 16 Jumada al-Ula 1442H (corresponding to 31 December 2020G). The Company considers the agreement to be in line with prevailing market practices.

The guarantees provided under the agreement are as follows:

- assignment of contract proceeds from the ten onshore rigs (Rig AD53, 54, 55, 56, 57, 58, 59, 61, 64 and 65, as well as Rig 66 and 67) in favour of The Saudi National Bank (formerly The National Commercial Bank);
- assignment of the sale proceeds of rigs AD53, 54, 55, 56, 57, 58, 59, 61, 64 and 65, as well as Rig 66 and 67 in favour of The Saudi National Bank (formerly The National Commercial Bank);
- assignment of the insurance proceeds and rights from the insurance policies for the ten onshore rigs in connection with contract number SLB-ADC-201802 (Rig AD43, 46, 55, 56, 59, 61, 64, 65, 66 and 67), in an amount of no less than SAR 1,158,998,000 in favour of The Saudi National Bank (formerly The National Commercial Bank);
- assignment of contract proceeds from Saudi Aramco project, in connection with contract number 6600044024 (Rig AD70), in favour of The Saudi National Bank (formerly The National Commercial Bank);
- assignment of the insurance proceeds and insurer rights from the insurance policies for Saudi Aramco project, in connection with contract number 6600044024 (Rig AD70), in an amount of no less than SAR 503,908,000 in favour of The Saudi National Bank (formerly The National Commercial Bank); and
- assignment of the sale proceeds of Rig AD70 in favour of The Saudi National Bank (formerly The National Commercial Bank).

The main financial and non-financial covenants given by the Company under the agreement include the following:

- an undertaking to designate The Saudi National Bank (formerly The National Commercial Bank) to be pari passu with the Company's lenders;
- an undertaking to maintain a maximum leverage ratio of 2.5x at all times; and
- an undertaking to maintain a minimum current ratio of 1:1 at all times.

As of 31 December 2021G, a total amount of SAR 987,219,235.06 is outstanding in connection with the banking facilities agreement concluded with The Saudi National Bank (formerly The National Commercial Bank). The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to competent court in the Kingdom or to the Banking Committee, without prejudice to The National Commercial Bank's right to refer the dispute to any court outside of the Kingdom.

Pursuant to a letter dated 16 Rajab 1443H (corresponding to 17 February 2022G), The Saudi National Bank consented to the Offering.

12.6.3 Banking Facilities Agreement with The Saudi National Bank (formerly Samba Financial Group)

The Company concluded a banking facilities agreement with Samba Financial Group (now The Saudi National Bank due the merger between The National Commercial Bank and Samba Financial Group) on 1 Rabi' al-Awwal 1442H (corresponding to 18 October 2020G), whereby The Saudi National Bank (formerly Samba Financial Group) agreed to provide the Company with banking facilities amounting to SAR 658,330,000. The financing consists of:

- SAR 100,000,000 facility for preliminary and performance guarantees and payment bonds for a term of up to three years, at an annual profit rate equivalent to the SAMA tariff rate;
- SAR 50,000,000 Murabaha short term facility for the purpose of supporting the Company's working capital for a term of 90 days, at an annual profit rate of 1.50 per cent. over SAIBOR;
- SAR 500,000,000 Murabaha long term facility for the purpose of financing acquisition of onshore rigs, at an annual profit rate of 0.75 per cent. over SAIBOR; and
- SAR 50,000,000 facility for hedging risks relating to the import and payment risk for a term of eight years.

The agreement was concluded on 1 Rabi' al-Awwal 1442H (corresponding to 18 October 2020G) and the facilities shall remain available until 20 Thul-Qi'dah 1442H (corresponding to 30 June 2021G). The Company considers the agreement to be in line with prevailing market practices.

The guarantees provided under this agreement include an assignment of contracts proceeds from the Company's drilling rigs covering 120.0 per cent. of the amount available under the facilities in favour of The Saudi National Bank (formerly Samba Financial Group).

The main financial and non-financial covenants given by the Company under the agreement include the following:

- an undertaking that the Company will maintain a current ratio of its assets to its liabilities not less than 1:1; and
- an undertaking that the Company will maintain a ratio of debt to equity not exceeding 2.5:1.

As of 31 December 2021G, a total amount of SAR 412,037,500 is outstanding in connection with the banking facilities agreement concluded with The Saudi National Bank (formerly Samba Financial Group). The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to the Banking Committee.

Pursuant to a letter dated 16 Rajab 1443H (corresponding to 17 February 2022G), The Saudi National Bank consented to the Offering.

12.7 Other Agreements with Lenders

In addition to the financing agreements entered into with respective lenders as detailed in Section 12.6 (*Financing Agreements*), the Company has entered into two supplementary *Shari'ah* compliant profit rate swap agreements with two lenders, namely The Saudi National Bank (formerly The National Commercial Bank) and Banque Saudi Fransi, for the purpose of mitigating risk from both fixed and floating profit rates.

The following is a summary of the *Shari'ah* compliant profit rate swap agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of provisions of the profit rate swap agreements during the relevant term of such agreements, and is not aware of any event which with the passing of time may become a breach or default under any of the agreements. These summaries include only the material provisions, not all applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The following table sets out the *Shari'ah* compliant profit rate swap agreements entered into by the Company for the purposes of its business:

Table (12.8): Details of Other Agreements with Lenders

Lender and Borrower	Type of Agreement	Availability Period	Brief Description
The Saudi National Bank (formerly The National Commercial Bank) (as the lender) and Arabian Drilling Company (as the borrower)	*Shari'ah* Compliant Profit Rate Swap Agreement	The term of the agreement runs from 26 Rajab 1437H (corresponding to 3 May 2016G) until 8 Ramadan 1444H (corresponding to 30 March 2023G).	A *Shari'ah* Compliant Profit Rate Swap Agreement (Wa'd Murabaha structure), with agreed fixed and floating profit rates of 2.98 per cent. of the relevant principal amount and an amount equivalent to three month's SAIBOR rate in connection with the relevant principal amount, respectively.
Banque Saudi Fransi (as the lender) and Arabian Drilling Company (as the borrower)	*Shari'ah* Compliant Profit Rate Swap Agreement	The term of the agreement runs from 19 Rajab 1437H (corresponding to 26 April 2016G) until 8 Ramadan 1444H (corresponding to 30 March 2023G).	A *Shari'ah* Compliant Profit Rate Swap Agreement (Wa'd Murabaha structure), with agreed fixed and floating profit rates of 2.99 per cent. of the relevant principal amount and an amount equivalent to three month's SAIBOR rate in connection with the relevant principal amount, respectively.

Source: The Company.

12.7.1 *Shari'ah* Compliant Profit Rate Swap Agreement with The Saudi National Bank (formerly The National Commercial Bank)

The Company concluded a *Shari'ah* Compliant Profit Rate Swap Agreement (Wa'd Murabaha structure) with The Saudi National Bank (formerly The National Commercial Bank) on 26 Rajab 1437H (corresponding to 3 May 2016G) and shall remain available until 8 Ramadan 1444H (corresponding to 30 March 2023G), for the purpose of mitigating risk from both fixed and floating profit rates for both parties. The agreed fixed and floating profit rates are 2.98 per cent. of the relevant principal amount and an amount equivalent to three month's SAIBOR rate in connection with the relevant principal amount, respectively. Such contract supplements the facilities agreements concluded between the Company and The National Commercial Bank during the relevant period, including the above-mentioned agreement dated 10 Thul-Qi'dah 1441H (corresponding to 1 July 2020G).

12.7.2 *Shari'ah* Compliant Profit Rate Swap Agreement with Banque Saudi Fransi

The Company concluded a *Shari'ah* Compliant Profit Rate Swap Agreement (Wa'd Murabaha structure) with Banque Saudi Fransi on 19 Rajab 1437H (corresponding to 26 April 2016G) and shall remain available until 8 Ramadan 1444H (corresponding to 30 March 2023G), for the purpose of mitigating risk from both fixed and floating profit rates for both parties. The agreed fixed and floating profit rates are 2.99 per cent. of the relevant principal amount and an amount equivalent to three month's SAIBOR rate in connection with the relevant principal amount, respectively. Such contract supplements the facilities agreements concluded between the Company and Banque Saudi Fransi during the relevant period, including the above-mentioned agreement dated 4 Jumada al-Akhirah 1442H (corresponding to 17 January 2021G).

12.8 Sukuk Programme Agreements

As of the date of this Prospectus, the Company issued Sukuk pursuant to a SAR 2,000,000,000 Sukuk Programme (*Shari'ah* compliant Mudaraba and Murabaha structure) in the Kingdom after submitting a notification to the CMA in this regard on 25 Jumada al-Ula 1443 (corresponding to 29 December 2021G), as detailed in the offering circular dated 2 Rajab 1443H (corresponding to 3 February 2022G) (the "**Sukuk Programme**"). The Sukuk Programme was initially sized at SAR 1,600,000,000 as per the notification submitted to the CMA on 25 Jumada al-Ula 1443 (corresponding to 29 December 2021G). Subsequently, the Sukuk Programme was upsized by SAR 400,000,000 to a total size of SAR 2,000,000,000 and as per the notification submitted to the CMA on 23 Jumada al-Akhirah 1443H (corresponding to 26 January 2022G). The initial tranche under the Sukuk Programme was issued for a term of five years, for the full amount of the Sukuk programme, i.e., SAR 2,000,000,000, with a profit rate of 1.60 per cent. over six-month SAIBOR. Accordingly, there will be no further tranches within the Sukuk Programme.

The Company has entered into a number of agreements in connection with the Sukuk Programme. The table below summarises those agreements which the Company considers material. The following is a summary of the agreements relating to the Sukuk Programme which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of provisions of the Sukuk Programme agreements during the relevant term of such agreements, and is not aware of any event which with the passing of time may become a breach or default under any agreement. These summaries include only the material provisions, not all applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The following table sets out the agreements entered into by the Company in connection with the Sukuk Programme:

Table (12.9): Details of Sukuk Programme Agreements

Sukuk Programme Agreements Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Periods Indicated
Master Mudaraba Agreement	The Company (as the issuer and mudareb) and Riyad Capital (as the sukukholders' agent and rab al-mal)	The Company entered into a master mudaraba agreement where sukukholders' agent will pay to the mudareb on the relevant date the applicable mudaraba capital that will be invested in the mudaraba and the remainder of the mudaraba capital will be invested in the business portfolio, in connection with the Sukuk Programme.	The agreement was concluded on 2 Rajab 1443H (corresponding to 3 February 2022G), in connection with the Sukuk Programme.	Executed in connection with the SAR 2,000,000,000 Sukuk Programme.
Master Murabaha Agreement	The Company (as the purchaser) and Riyad Capital (as the seller)	The Company entered into a master murabaha agreement, pursuant to which the seller agrees to sell to the purchaser certain commodities purchased by the seller from nominated supplier(s) at a price negotiated between the purchaser and the seller. Once the seller has acquired the commodities from the supplier(s), the seller will in turn sell the commodities to the purchaser on deferred payment terms, providing for the purchaser to pay to the seller the deferred sale price, in connection with the Sukuk Programme.	The agreement was concluded on 2 Rajab 1443H (corresponding to 3 February 2022G), in connection with the Sukuk Programme.	Executed in connection with the SAR 2,000,000,000 Sukuk Programme.
Master Declaration of Agency Agreement	The Company (as the issuer) and Riyad Capital (as the sukukholders' agent)	The Company entered into a master declaration of agency agreement appointing the sukukholders' agent to act as agent for and on behalf of the sukukholders', in connection with the Sukuk Programme.	The agreement was concluded on 2 Rajab 1443H (corresponding to 3 February 2022G), in connection with the Sukuk Programme.	Executed in connection with the SAR 2,000,000,000 Sukuk Programme.

Source: The Company.

12.8.1 Master Mudaraba Agreement between the Company (as the issuer and mudareb) and Riyad Capital (as the sukukholders' agent and rab al-mal)

The Company (as issuer and mudareb) and Riyad Capital (as sukukholders' agent and rab al-mal) are party to the Master Mudaraba Agreement entered into on 2 Rajab 1443H (corresponding to 3 February 2022G), pursuant to which the sukukholders' agent (on behalf of the sukukholders) irrevocably appoints the Company as mudareb. The relationship between the mudareb on the one hand and the sukukholders' agent (on behalf of the sukukholders) on the other is that of mudareb and rab al-maal respectively. In respect of each tranche, the sukukholders' agent shall pay (or procure to be paid by the payment administrator, Riyad Capital) to the mudareb, on the relevant issue date, the applicable mudaraba capital to apply as the capital of the mudaraba and, in accordance with the terms of the Master Mudaraba Agreement, the mudareb shall ensure that an amount of such mudaraba capital of such tranche (together with, if applicable, the mudaraba capital of each other tranche of the relevant series) equal to the available amount in respect of the relevant series) will be invested in the mudaraba and the remainder of the mudaraba capital will be invested in the business portfolio, consisting the relevant assets of the issuer, the investment of the mudareb (for the benefit of the sukukholders' agent) and any other investments made in connection with the agreement.

The mudareb shall manage the mudaraba based on its expertise and shall be entitled to share in the profit arising from the mudaraba in accordance with the terms of the Master Mudaraba Agreement. The interests of the sukukholders' agent in the mudaraba assets and the payment obligations of the mudareb under the Master Mudaraba Agreement will form part of the sukuk assets to be held by the sukukholders' agent.

The mudareb's rights, authorities, duties, obligations and liabilities are limited to those specifically provided for in the Master Mudaraba Agreement and the other sukuk documents. Subject to the terms of the Master Mudaraba Agreement, the conditions and the other sukuk documents, the mudareb shall manage, administer, perform and discharge its obligations relating to the mudaraba assets with absolute freedom and discretion and, in particular and without prejudice to the generality of the foregoing, shall comply with and shall perform, inter alia, the following duties in respect of the mudaraba assets of each series: (a) maintain appropriate collection procedures in relation to the timely collection of amounts falling due in respect of the share of the sukukholders' agent in the mudaraba assets consistent with the collection procedures adopted by the mudareb in respect of its own assets; (b) calculate the mudaraba profit, ensure that all mudaraba profit (if any) is credited to a book-entry notional account to be maintained by the mudareb in its books for and on behalf of the sukukholders' agent and calculate the mudaraba Profit; (c) ensure that accounting books and income, expenses, profits and losses of the mudaraba assets, including the mudaraba income and the mudaraba profit, are regularly recorded and that its accounts are prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB); (d) ensure that all material regulatory, zakat and taxation requirements are met; (e) notwithstanding the general discretions afforded to it pursuant to the Master Mudaraba Agreement, prior to utilising the available amount (or any part thereof) in respect of such series in a manner other than as expressly contemplated in the Master Mudaraba Agreement, to promptly give written notice to the sukukholders' agent of its intention with respect thereto and obtain the prior consent of the sukukholders' agent with respect thereto; and (f) use all reasonable efforts to ensure that the value of the sukukholders' share in the business portfolio in respect of each series is not less than 33.0 per cent. of the value of the sukuk assets.

The mudareb shall be entitled, at its sole and absolute discretion, to make payments of mudaraba profit on account of expected earnings, if any, provided that the aggregate of all such on account payments may not exceed an amount equal to the mudaraba capital less the applicable available amount (if any). The sukukholders' agent and the issuer shall each have an undivided ownership share of the business portfolio and all assets acquired from or through the business portfolio based on the sharing of profit and the bearing of losses pro rata to their respective shares. At or prior to 10:00 a.m. one business day prior to each relevant periodic distribution date or any partial periodic distribution date, the mudareb shall transfer the amounts standing to the credit of the relevant collection account to the sukuk account in the amount necessary to fund each amount due to be paid from the sukuk account. For the avoidance of doubt, all periodic distribution amounts or partial periodic distribution amounts payable by the issuer under the sukuk will be solely funded by the mudaraba assets and the returns therefrom. Any surplus mudaraba profit remaining in the relevant collection account after the application of the amounts referred to above shall be reinvested by the mudareb (for the benefit of the sukukholders' agent) in the business portfolio, subject at all times to compliance with the Master Mudaraba Agreement.

In relation to each series, the mudareb shall liquidate the mudaraba assets at or/prior to 10:00 a.m. one business day prior to the applicable liquidation date. The proceeds of such liquidation being the available amount and the then current value of the sukukholders' agent's share (for the benefit of the sukukholders) of the mudaraba assets (other than the available amount (if applicable)) shall be, subject to the terms of the Master Mudaraba Agreement, used by the mudareb to pay to the sukukholders' agent any amounts due but unpaid on such liquidation date by payment of such amounts into the sukuk account at or prior to 10:00 a.m. one business day prior to the liquidation date but only to the extent that, at such time on the liquidation date, amounts are required by the sukukholders' agent to be credited to the sukuk account in order for the sukukholders' agent to be able to pay all amounts due but unpaid to the sukukholders under the sukuk and the sukuk documents in full on the liquidation date). Any surplus proceeds of such liquidation, after payment of the amounts (if any) described in this paragraph, may be retained by the mudareb as an incentive fee for its own account, to the extent permitted under the Master Mudaraba Agreement.

If: (i) sukukholders elect to redeem some, but not all, of the sukuk redeemed; or (ii) the issuer or any of its subsidiaries purchase some, but not all, of the sukuk in the open market, and such Sukuk are cancelled, the mudareb shall partially liquidate the mudaraba assets at or prior to 10:00 a.m. one business day prior to the relevant optional redemption date or on the date on which the relevant sukuk are cancelled in accordance with the terms of the Master Mudaraba Agreement, as the case may be. The mudaraba assets (including the available amount) shall be reduced to an amount that is equal to the value of the mudaraba assets on the business day immediately prior to the relevant partial liquidation of the mudaraba assets or the date on which the sukuk are cancelled in accordance with the terms of the Master Mudaraba Agreement, as the case may be multiplied by the relevant fraction. In the event of a partial liquidation of the mudaraba assets as a result of sukukholders electing to redeem some, but not all, of the sukuk only the mudareb shall credit the proceeds of the partial liquidation of the mudaraba assets to the relevant collection account and such proceeds shall be used to satisfy the issuer's obligations to the sukukholders. Any payment by the mudareb to the sukukholders' agent under the master mudaraba agreement shall be made without set-off or counterclaim or any other restriction and free and clear of any deduction or withholding unless required by law. In the event of such deduction or withholding, the mudareb shall pay all additional amounts as will result in payment to the sukukholders' agent of such net amount as would have been received if no such deduction or withholding had been made. Notwithstanding the foregoing, the mudareb shall not pay any additional amounts in respect of any deductions or withholding required by law as a result of a payment under the sukuk to any person who holds sukuk but is not a qualified person, in accordance with the OSCO Rules.

The Master Mudaraba Agreement shall be governed by the laws of the Kingdom.

12.8.2 Master Murabaha Agreement between the Company (as the purchaser) and Riyad Capital (as the seller)

The Company (in its capacity as purchaser) and Riyad Capital (in its capacity as seller) are party to a Master Murabaha Agreement entered into on 2 Rajab 1443H (corresponding to 3 February 2022G), pursuant to which the Purchaser may avail itself of a murabaha based financing facility to be made available to it by the seller. In respect of each tranche, the murabaha facility may only be used for one murabaha transaction.

Subject to the terms of the Master Murabaha Agreement, at or prior to 10:00 a.m. one business day prior to the relevant deferred sale price payment date, the purchaser shall pay to the order of the seller, in full, the deferred sale price due on such date in accordance with the applicable confirmation of terms. Under the relevant murabaha contract, and subject to the terms and conditions of the Master Murabaha Agreement, the seller agrees to sell on behalf and for the benefit of the sukukholders' on a murabaha basis to the purchaser commodities purchased from the nominated suppliers at a price negotiated between the purchaser and the seller. Once the seller has acquired the commodities, the seller will sell the commodities to the purchaser on deferred payment terms at a deferred sale price in accordance with the terms of the Master Murabaha Agreement. Once the purchaser has acquired title (together with all rights and obligations relating thereto) in the relevant commodities, the purchaser may, pursuant to an on-sale agency agreement, on-sell such commodities. The purchaser shall apply the proceeds from the on-sale of any commodities purchased by it under a murabaha contract for use in accordance with the acceptable use of proceeds, in accordance with the Sukuk Programme. The seller shall not be bound to monitor or verify the purpose or purposes for which the purchaser uses the proceeds of any on-sale of commodities purchased by it under any murabaha contract.

Subject to the Master Murabaha Agreement, in respect of each tranche, by no later than 10:00 a.m. one business day prior to the deferred sale price payment date, the purchaser shall pay to the seller, by payment directly to the sukuk account, the deferred sale price falling due on the relevant deferred sale price payment date in full in accordance with the applicable confirmation of terms and the seller hereby acknowledges that such payment shall constitute payment in full made to its order of the deferred sale price or the relevant portion thereof, as applicable, falling due under the Master Murabaha Agreement on the deferred sale price payment date in respect of such tranche. Notwithstanding Clause 6.1 and Clause 6.2 of the Master Murabaha Agreement:

a- on the issuer optional redemption date, the tax redemption date, any clean up redemption date or an event of default date (as applicable), the relevant total murabaha deferred sale price outstanding shall become immediately due and payable and shall be credited to the sukuk account; and

b- on any sukukholder optional redemption date, all or a portion of the aggregate amounts of deferred sale price equal to the applicable optional murabaha settlement amount, shall become immediately due and payable and shall be credited to the sukuk account and each subsequent payment of the deferred sale price in respect of any murabaha transaction, shall be reduced accordingly on a pro rata basis where applicable.

On the occurrence of an event of default in relation to any series and at any time during which such event of default in relation to any series is continuing, the seller may demand that the purchaser immediately pay the total murabaha deferred sale price outstanding in full in relation to that series directly into the sukuk account and that the purchaser immediately pay any other sums owed to the seller by the purchaser under the master murabaha agreement in relation to that series of sukuk, whereupon the same shall become so payable.

Any payment by the purchaser to the seller under the Master Murabaha Agreement shall be made without set-off or counterclaim or any other restriction and free and clear of any deduction or withholding unless required by law. In the event of such deduction or withholding, the purchaser shall pay all additional amounts as will result in payment to the seller of such net amount as would have been received if no such deduction or withholding had been made. Notwithstanding the foregoing the purchaser shall not pay any additional amounts in respect of any deductions or withholding required by law to any person who holds sukuk but is not a qualified person, in accordance with the OSCO Rules.

The Master Murabaha Agreement shall be governed by the laws of the Kingdom.

12.8.3 Master Declaration of Agency Agreement between the Company (as the issuer) and Riyad Capital (as the sukukholders' agent)

Pursuant to the Master Declaration of Agency entered into by the Company and Riyad Capital (in its capacity as agent on behalf of the sukukholders), each sukukholder by completing an investor application form or by subscribing to, acquiring or holding sukuk shall be deemed:

a- to have appointed the sukukholders' agent as its agent in relation to the relevant series of sukuk on the terms set out in the Master Declaration of Agency, the relevant supplemental declaration of agency and the conditions;

b- to have ratified and accepted the entry by the sukukholders' agent into the sukuk documents to which it is a party; and

c- to have given an irrevocable and unconditional instruction requiring the sukukholders' agent to, on the relevant liquidation date, upon satisfaction of the relevant payment obligations, transfer and assign all (or part) of the remaining portion of the sukuk assets to the issuer (for its own account).

Payment obligations mean, in respect of any sukuk of a series, all obligations of the issuer to make payments to the sukukholders of the periodic distribution amounts, any partial periodic distribution amount and the sukuk capital and each other amount payable to the sukukholders the sukuk documents.

The issuer covenants and undertakes with the sukukholders' agent that, so long as any sukuk remains current, to the order of the sukukholders' agent, it shall, in respect of each series, satisfy the payment obligations, as and when each such payment shall be required to be made in accordance with the applicable final terms and the conditions, and shall make such payments in the manner specified in the applicable final terms and the conditions and the payment administration agreement.

The issuer further covenants with the sukukholders' agent that, so long as any sukuk remains current, it shall comply with and perform and observe all the provisions of the Master Declaration of Agency, each relevant supplemental declaration of agency, the applicable final terms and the conditions which are expressed to be binding on it.

The Master Declaration of Agency specifies, inter alia, that in relation to each Series of Sukuk:

a- if an event of default, as prescribed in the Master Agency Agreement, has occurred and is continuing, the sukukholders' agent may, by notice in writing to the issuer and the payment administrator, require the payment Administrator to act thereafter as its agent in accordance with the payment administration Agreement;

b- the sukukholders' agent may, without any consent or sanction of the sukukholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its opinion the interests of the sukukholders are not materially prejudiced thereby, determine whether or not a breach in the performance or observance by the issuer of any obligation under the provisions of the Master Declaration of Agency, the relevant supplemental declaration of agency, the other sukuk documents or of any provision of the terms and conditions of the sukuk issuance is capable of remedy, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or prospective breach of any of the covenants or provisions contained in the Master Declaration of Agency, the relevant supplemental declaration of agency, any other sukuk document, the applicable final terms relating to each tranche, or the terms and conditions of the sukuk issuance or determine that any event of default shall not be treated as such for the purposes of the Master Declaration of Agency, the relevant supplemental declaration of agency, the applicable final terms relating to each tranche and the terms and conditions of the sukuk issuance, any such authorization, waiver or determination shall be binding on the sukukholders and, if, but only if, the sukukholders' agent shall so require, the issuer shall cause such authorisation, waiver or determination to be notified to the sukukholders as soon as practicable thereafter in accordance with the agreed procedure for providing notice, provided, however, that the sukukholders' agent shall not exercise any powers conferred upon for the purpose of providing waivers pursuant to the Master Declaration of Agency Agreement in contravention of any express direction by an extraordinary resolution ((i) a resolution passed at a meeting of sukukholders duly convened and held by a majority consisting of not less than three-fourths of the votes cast; or (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in aggregate nominal amount of the sukuk in the series as are current as of such date) or of a request in writing made by the required sukukholders (i.e., sukukholders holding more than 50.0 per cent. of the aggregate nominal amount of the relevant sukuk series as are current on such date) (but no such direction or request shall affect any authorisation, waiver or determination previously given or made);

c- the sukukholders' agent may from time to time and at any time without the consent or sanction of the sukukholders concur with the issuer in making any modification to the Master Declaration of Agency, the relevant supplemental declaration of agency, the applicable final terms relating to each tranche and the terms and conditions of the sukuk issuance, or any other sukuk documents, which in the opinion of the sukukholders' agent, it may be proper to make provided the sukukholders' agent is of the opinion that:

    i- such modification is not materially prejudicial to the interests of the Sukukholders; or

    ii- such modification is of a formal, minor or technical nature or made to correct a manifest error or to comply with mandatory provisions of law;

d- if and to the extent that the issuer exercises its rights to issue additional sukuk in respect of a series, on the date upon which any such additional sukuk are created and issued, each of issuer and the sukukholders' agent will execute a declaration of commingling of assets (in the agreed form) for and on behalf of the holders of the existing sukuk and the holders of such additional sukuk so issued, agreeing and declaring that the relevant mudaraba assets (in respect of the issuance of the additional sukuk) and the mudaraba assets as in existence immediately prior to the creation and issue of the additional sukuk and the rights of the seller under the Master Murabaha Agreement and each murabaha transaction are commingled and shall collectively comprise part of the sukuk assets for the benefit of the holders of the existing sukuk and the holders of such additional sukuk pro rata according to the aggregate nominal amount of sukuk held by each sukukholder, in accordance with the Master Declaration of Agency; and e- following the occurrence of an event of default, the sukukholders' agent may at any time, at its sole and absolute discretion and without notice, take such proceedings against the issuer as it may think fit to enforce the provisions of the Sukuk and the Sukuk Documents, but it shall not be bound in any circumstances to take any such action unless directed or requested to do so:

i- pursuant to the rights afforded to the sukukholders' agent in an event of default;

ii- by an extraordinary resolution ((i) a resolution passed at a meeting of sukukholders duly convened and held by a majority consisting of not less than three-fourths of the votes cast; or (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in aggregate nominal amount of the sukuk in the series as are current as of such date); or

iii- in writing by the required sukukholders (i.e., sukukholders holding more than 50.0 per cent. of the aggregate nominal amount of the relevant sukuk series as are current on such date).

and in each case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable by so doing, provided however, that, in each case, the issuer shall not be obliged to pay any amount to the sukukholders at a time earlier than it would otherwise have to do so in accordance with the terms and conditions of the sukuk issuance and the relevant sukuk agreements/documents.

The Master Declaration of Agency shall be governed by the laws of the Kingdom.

12.9 Insurance Policies

The Company and the Subsidiary maintain insurance policies covering different types of risks they may be exposed to. These insurance policies have been concluded with several insurers. The following table sets out the key particulars of the insurance policies held by the Company and the Subsidiary:

Table (12.10): Details of Insurance Policies

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
78-2021	Medical Insurance	Bupa Arabia (as the insurer) and Arabian Drilling Company (as the insured)	16 Muharram 1443H (corresponding to 24 August 2021G) to 25 Muharram 1444H (corresponding to 23 August 2022G)	- [1]
5/EP/30265/0/0	Plant All Risks Insurance	AXA Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 1,500,000 (third party) SAR 5,477,631 (total value of insured plant, machinery and equipment)
5/FA/30657/0/0	Property All Risks Insurance	AXA Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	28 Jumada al-Ula 1443 H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 225,270,000 (total value of insured plant, machinery and equipment)
GRL/2675	Group Life Insurance	Allianz Saudi Fransi Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	5 Thul-Qi'dah 1442H (corresponding to 15 June 2021G) to 15 Thul-Qi'dah 1443H (corresponding to 14 June 2022G)	SAR 70,000,000 (per incident)
EO-22-210-000001	Onshore and Offshore Package Insurance	Wala'a Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding 31 December 2022G)	SAR 562,500,000 (aggregate limit for offshore) SAR 75,000,000 (aggregate limit for onshore) SAR 5,107,500,000 (aggregate onshore and offshore rigs insured value)

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
5/VF/35888/0/0	Motor Comprehensive (Commercial) Insurance	AXA Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	23 Rajab 1443H (corresponding to 24 February 2022G) to 3 Sha'ban 1444H (corresponding to 23 February 2023G)	SAR 10,000,000
5/ZM/30273/0/0	Money Insurance	AXA Cooperative Insurance Company (as the insurer) and Arabian Drilling Company (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 430,000 (cash in safe – per occurrence) SAR 283,500 (cash in transit – per occurrence)
OF-13-2021	Medical Insurance	Bupa Arabia (a as the insurer) and Ofsat Arabia LLC (as the insured)	16 Muharram 1443H (corresponding to 24 August 2021G) to 25 Muharram 1444H (corresponding to 23 August 2022G)	– [1]
5/VX/30897/0/0	Motor Fleet – Third Party Insurance	AXA Cooperative Insurance Company (as the insurer) and Ofsat Arabia LLC (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 10,000,000 SAR 104,631,000 (total value insured)
5/VX/30897/0/1	Motor Comprehensive (Commercial) Insurance	AXA Cooperative Insurance Company (as the insurer) and Ofsat Arabia LLC (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 10,000,000 SAR 104,631,000 (total value insured)
5/EP/30266/0/0	Plant All Risks Insurance	AXA Cooperative Insurance Company (as the insurer) and Ofsat Arabia LLC (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 5,000,000 (aggregate – incidents) SAR 118,815,000 (total value of insured plant, machinery and equipment)
5/PL/30438/0/0	Public Liability Insurance	AXA Cooperative Insurance Company (as the insurer) and Ofsat Arabia LLC (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 5,626,000
5/WC/30472/0/0	Workmen's Compensation Insurance	AXA Cooperative Insurance Company (as the insurer) and Ofsat Arabia LLC (as the insured)	28 Jumada al-Ula 1443 H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 3,750,000 (in addition to applicable workmen's compensation as per Labour Law)

Source: The Company.

[1] The values of two insurance policies detailed in the table above have not been disclosed as the Company considers such information commercially sensitive.

12.9.1 Pending Claims Relating to Insurance Policies

As of the date of this Prospectus, there are no pending material claims in respect of the Company and the Subsidiary's insurance policies, with the exception of an incident relating to rig AD48 caused by contact with a moving object causing a substructure raising cylinder failure. The damage and incidents relating to rig AD48 are insured under the onshore and offshore package insurance policy No. E0-22-210-000001 (as amended), in the amount of SAR 97.5 million; noting that the recorded loss in connection with the referenced incident is estimated to be in the range of SAR 11.3 million to SAR 18.8 million.

12.10 Real Estate

12.10.1 Title Deeds

As of the date of this Prospectus, the Company owns the following title deeds:

Table (12.11): Details of Title Deeds owned by the Company

No.	Owner	Title Deed Particulars	Location	Description and Purpose	Rights of Third Parties/Disputes
1.	Arabian Drilling Company	Title deed number 930205009466 dated 23 Rabi' al-Awwal 1437H (corresponding to 3 January 2016G)	Aljawharah District, Al Khobar, Kingdom of Saudi Arabia	Plot of land with a total size of 14,669.38 sqm, for the purpose of operating a residential compound and leasing shops.	N/A
2.		Title deed number 330210007202 dated 18 Thul-Qi'dah 1442H (corresponding to 28 June 2021G)	Prince Sultan Road, Al Khobar, Kingdom of Saudi Arabia	Plot of land with a total size of 15,272.5 sqm, for the purpose of operating a residential compound and commercial offices buildings.	N/A
3.		Title deed number 330216002085 dated 23 Rajab 1443H (corresponding to 24 February 2022G)	Qurtobah District, Al Khobar, Kingdom of Saudi Arabia	Plot of land with a total size of 5,955 sqm, for the purpose of operating a parking area.	N/A
4.		Title deed number 333106004734 dated 28 Rajab 1443H (corresponding to 1 March 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,623 sqm, for the purpose of operating a residential compound.	N/A
5.		Title deed number 333106004730 dated 27 Rajab 1443H (corresponding to 28 February 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,623 sqm, for the purpose of operating a residential compound.	N/A
6.		Title deed number 933106004735 dated 28 Rajab 1443H (corresponding to 1 March 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,884 sqm, for the purpose of operating a residential compound.	N/A
7.		Title deed number 533106004736 dated 28 Rajab 1443H (corresponding to 2 March 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,884 sqm, for the purpose of operating a residential compound.	N/A
8.		Title deed number 533106004739 dated 29 Rajab 1443H (corresponding to 2 March 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,623 sqm, for the purpose of operating a residential compound.	N/A
9.		Title deed number 433106004738 dated 29 Rajab 1443H (corresponding to 2 March 2022G)	Aldurra District, Al-Khafji, Kingdom of Saudi Arabia	Plot of land with a total size of 1,884 sqm, for the purpose of operating a residential compound.	N/A

Source: The Company.

12.10.2 Leases

As of the date of this Prospectus, the Company has not entered into any lease agreements, and does not currently occupy any leased properties. However, the Subsidiary has entered into a number of lease agreements in connection with its business. The Subsidiary, being the lessee in these agreements, ensures to payment of the rental amounts as specified in each agreement and generally does not have the right to assign and sublease the agreements in whole or in part to any third party. The leasing term varies for every lease agreement, generally falling between the ranges of one to five years; some agreements provide for automatic renewal. Most of the agreements allow either party of the relevant agreement to terminate such agreement following prior notice of not less than one to three months before the expiry of the agreement.

The Board of Directors of the Company declares that there are no material leases on which the Company or the Subsidiary relies in its operations. The following table shows the number of lease agreements by lease term:

Table (12.12): Details of Lease Agreements Entered into by the Subsidiary as Lessee

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/ Assignment
1.	Ofsat Arabia LLC (as the lessee) and Arabian Drilling Company (as the lessor)	Aljawharah District, Prince Sultan Road, Al Khobar, the Kingdom of Saudi Arabia	127 sqm.	- [1]	Five years commencing on 12 Thul-Qi'dah 1438H (corresponding to 13 August 2017G) and expiring on 24 Muharram 1444H (corresponding to 22 August 2022G), automatically renewable.	Either party may terminate the agreement by providing 45 days' prior written notice.	Office space.	The lessee may not sublease or assign any portion of the premises without prior written approval from the lessor.
2.	Ofsat Arabia LLC (as the lessee) and Arabian Drilling Company (as the lessor)	Arabian Drilling Company Al Khobar Compound-2 Villa #20, Al Khobar, the Kingdom of Saudi Arabia	135.20 sqm.	- [1]	One year commencing on 13 Muharram 1442H (corresponding to 1 September 2020G) and expiring on 23 Muharram 1443H (corresponding to 31 August 2021G), automatically renewable.	Either party may terminate the agreement by providing three months written notice prior to the end of term.	Employees' accommodation.	The lessee may not sublease or assign any portion of the premises without the prior written approval from the lessor.
3.	Ofsat Arabia LLC (as the lessee) and Arabian Drilling Company (as the lessor)	Arabian Drilling Company Al Khobar Compound-1, Al Khobar, the Kingdom of Saudi Arabia	85.12 sqm.	- [1]	One year commencing on 9 Shawwal 1442H (corresponding to 21 May 2021G) and expiring on 19 Shawwal 1443H (corresponding to 20 May 2022G).	Either party may terminate the agreement by providing three months written notice prior to the end of term.	Employees' accommodation.	The lessee may not sublease or assign any portion of the premises without prior written approval from the lessor.
4.	Ofsat Arabia LLC (as the lessee) and Saeed Fuhaid Alzayed Alhajri's heirs (as the lessor)	Buqaiq, Eastern Province, Kingdom of Saudi Arabia	55,000 sqm.	- [1]	Three years commencing on 17 Rajab 1442H (corresponding to 1 March 2021G) and expiring on 18 Sha'ban 1445H (corresponding to 28 February 2024G).	Lessor may terminate the agreement by providing 30 days prior written notice	Office space/ parking area.	N/A

Source: The Company.

[1] The values of the lease agreements detailed in the table above have not been disclosed as the Company considers such information commercially sensitive.

12.10.3 Movable Assets

As of the date of this Prospectus, the Company owns a number of movable assets, which it considers material; noting that the Subsidiary does not own any assets which the Company deems material. The following table shows the movable assets which the Company deems material.

Table (12.13): Details of Material Movable Assets Owned by the Company

No.	Holder of Title/Holder of Right in Asset	Location	Description and Purpose	Type of Right	Book Value	Net Book Value
1-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD08, in connection with contract no. HQ776ED08 concluded with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company).	Ownership	SAR zero	SAR zero
2-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD12, in connection with contract no. 6400040874 concluded with Saudi Aramco.	Ownership	SAR 100,066,232	SAR 20,364,744
3-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD14, in connection with contract no. 6600044648 concluded with Saudi Aramco.	Ownership	SAR 118,739,895	SAR 20,687,761
4-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD15, in connection with contract no. 6600042600 concluded with Saudi Aramco.	Ownership	SAR 153,917,911	SAR 24,234,697
5-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD16, in connection with contract no. 6600023226 concluded with Saudi Aramco.	Ownership	SAR 136,319,750	SAR 14,497,974
6-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD17, in connection with contract no. 6600018919 concluded with Saudi Aramco.	Ownership	SAR 317,865,288	SAR 66,535,857
7-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD20, in connection with contract no. HD4530F17 concluded with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company).	Ownership	SAR 97,367,772	SAR 8,126,136
8-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD21, in connection with contract no. 6600030121 concluded with Saudi Aramco.	Ownership	SAR 138,971,210	SAR 24,431,091
9-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD23, in connection with contract no. 6600023931 concluded with Saudi Aramco.	Ownership	SAR 203,554,435	SAR 28,557,242
10-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD28, in connection with contract no. 6600043584 concluded with Saudi Aramco.	Ownership	SAR 97,760,808	SAR 10,043,571
11-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD29, in connection with contract no. 6600028513 concluded with Saudi Aramco.	Ownership	SAR 116,979,746	SAR 12,726,372
12-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD30, in connection with contract no. HQ659ED19 Rig concluded with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company).	Ownership	SAR 906,656,613	SAR 191,400,659
13-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD31, in connection with contract no. 6600011969 concluded with Saudi Aramco.	Ownership	SAR 148,268,694	SAR 18,160,038
14-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD32, in connection with contract no. 6600011970 concluded with Saudi Aramco.	Ownership	SAR 175,704,267	SAR 19,988,542
15-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD34, in connection with contract no. 6600023327 concluded with Saudi Aramco.	Ownership	SAR 190,658,909	SAR 33,012,777
16-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD35, in connection with contract no. 6600023228 concluded with Saudi Aramco.	Ownership	SAR 188,757,981	SAR 32,872,465
17-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD36, in connection with contract no. 6600023985 concluded with Saudi Aramco.	Ownership	SAR 166,755,507	SAR 18,451,450

No.	Holder of Title/Holder of Right in Asset	Location	Description and Purpose	Type of Right	Book Value	Net Book Value
18-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD41, connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 191,402,071	SAR 77,578,855
19-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD42, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 169,545,301	SAR 66,789,038
20-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD43, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 168,555,925	SAR 67,216,823
21-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD44, in connection with contract no. 9610043284 concluded with the Halliburton Energy Services Inc	Ownership	SAR 168,533,640	SAR 94,811,819
22-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD45, in connection with contract no. 6600043584 concluded with Saudi Aramco.	Ownership	SAR 171,410,905	SAR 93,593,672
23-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD46, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 167,513,632	SAR 71,245,660
24-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD47, in connection with contract no. 6600034160concluded with Saudi Aramco.	Ownership	SAR 173,229,023	SAR 73,989,828
25-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD48, in connection with contract no. 6600034161 concluded with Saudi Aramco.	Ownership	SAR 179,747,184	SAR 81,262,612
26-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD49, in connection with contract no. 6600034162 concluded with Saudi Aramco.	Ownership	SAR 174,309,895	SAR 79,759,202
27-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD50, in connection with contract no. 6600029751 concluded with Saudi Aramco.	Ownership	SAR 961,031,154	SAR 503,327,831
28-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD51, in connection with contract no. 6600034364 concluded with Saudi Aramco.	Ownership	SAR 173,682,423	SAR 83,428,909
29-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD52, in connection with contract no. 6600034365 concluded with Saudi Aramco.	Ownership	SAR 170,754,323	SAR 77,730,570
30-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD53, in connection with the subcontract of onshore drilling rigs (Ghawar Field LSTK 2022) with Baker Hughes Saudi Arabia.	Ownership	SAR 127,842,469	SAR 89,978,468
31-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD54, in connection with the subcontract of onshore drilling rigs (Ghawar Field LSTK 2022) with Baker Hughes Saudi Arabia.	Ownership	SAR 125,834,774	SAR 90,549,987
32-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD55, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 133,114,793	SAR 96,364,372
33-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD56, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 123,474,773	SAR 91,174,343
34-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD57, in connection with contract no. SLB-ADC-201804 concluded with Dowell Schlumberger Saudi Arabia Company.	Ownership	SAR 121,539,413	SAR 89,988,770

No.	Holder of Title/Holder of Right in Asset	Location	Description and Purpose	Type of Right	Book Value	Net Book Value
35-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD58, in connection with contract no. SLB-ADC-201804 concluded with Dowell Schlumberger Saudi Arabia Company.	Ownership	SAR 121,625,338	SAR 91,039,302
36-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD59, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 131,170,671	SAR 98,374,887
37-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD60, in connection with contract no. 6600031590 concluded with Saudi Aramco.	Ownership	SAR 947,064,961	SAR 529,131,867
38-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD62, in connection with contract no. SLB-ADC-201804 concluded with Dowell Schlumberger Saudi Arabia Company.	Ownership	SAR 148,828,060	SAR 108,256,455
39-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD63, in connection with contract no. SLB-ADC-201804 concluded with Dowell Schlumberger Saudi Arabia Company.	Ownership	SAR 135,482,852	SAR 97,796,815
40-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD64, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 154,803,724	SAR 108,671,936
41-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD65, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 150,858,858	SAR 106,114,366
42-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD66, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 180,133,399	SAR 126,249,265
43-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD67, in connection with contract no. SLB-ADC-201802 concluded with Schlumberger Middle East S.A Company.	Ownership	SAR 172,728,799	SAR 124,501,473
44-	Arabian Drilling Company	Kingdom	Onshore drilling rig AD68, in connection with contract no. SLB-ADC-201804 concluded with Dowell Schlumberger Saudi Arabia Company.	Ownership	SAR 138,876,714	SAR 101,702,858
45-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD70, in connection with contract no. 6600044024 concluded with Saudi Aramco.	Ownership	SAR 1,023,634,779	SAR 730,296,293
46-	Arabian Drilling Company	Kingdom	Offshore drilling rig AD80, in connection with contract no. HQ397ED16 concluded with Al-Khafji Joint Operations Joint Venture (Aramco Gulf Operations Company Limited and Kuwait Gulf Oil Company).	Ownership	SAR 234,983,114	SAR 190,718,036
Total					SAR 10,300,058,003	SAR 4,785,735,711

Source: The Company.

12.11 Related Party Contracts and Transactions

12.11.1 Master Secondment Agreement between the Company and Schlumberger Middle East S.A.

The Company (as the customer) has entered into a master secondment agreement with Schlumberger Middle East S.A. (as the service provider) for the secondment of employees of the service provider to the Company, for the purpose of assisting in carrying out certain operations. This is in consideration of an amount equal to the costs, expenses and items constituting the total remuneration and benefits package of the secondee(s), payable to the service provider. The value of the agreement amounted to SAR 5,539,057.25 in the financial year ended 31 December 2021G. The agreement shall be valid from 19 Thul-Qi'dah 1439H (corresponding to 1 August 2018G) until terminated in accordance with the contractual mechanisms set out in the agreement. The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to the competent courts in the Kingdom.

This is a Related Party agreement as the Company is an affiliate of the service provider; and the Director, Vijay Kasibhatla, has an interest therein in his capacity as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A. This agreement and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.2 Transactions on a Purchase Order Basis between the Company and Schlumberger Rig Technology Inc.

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Schlumberger Rig Technology Inc. (as the supplier). The total value of the purchase orders amounted to SAR 257,342.19 for the financial year ended 31 December 2021G. The purchase orders are generally issued using the Company's standard purchase orders, including its terms and conditions.

These are Related Party transactions as the Company is an affiliate of the supplier; and the following Directors have an interest therein: (i) Jesus Lamas as the President of Well Construction Division at Schlumberger Technology Corporation, an affiliate of Schlumberger Rig Technology Inc.; and (ii) Vijay Kasibhatla as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Rig Technology Inc. These transactions and such interests have been presented to and approved by the Company's General Assembly in the meeting dated 4 Ramadan 1443H (corresponding to 5 April 2022G) and 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.3 Transactions on a Purchase Order Basis between the Company and Cameron Al Rushaid LTD

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Cameron Al Rushaid LTD (as the supplier). The total value of the purchase orders amounted to SAR 33,270,726.89 for the financial year ended 31 December 2021G. The purchase orders are not issued pursuant to a framework agreement between the Company and Cameron Al Rushaid LTD.

These are Related Party transactions as the Company is an affiliate of the supplier; and the following Directors have an interest therein: (i) Jesus Lamas as the President of Well Construction Division at Schlumberger Technology Corporation, an affiliate of Cameron Al Rushaid LTD; and (ii) Vijay Kasibhatla as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Al Rushaid LTD. These transactions and such interests have been presented to and approved by the Company's General Assembly in the meeting dated 4 Ramadan 1443H (corresponding to 5 April 2022G) and 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.4 Supplier Pricing Agreement (Contract No. 111-2020) between the Company and Cameron International Corporation

The Company (as the customer) has entered into a non-exclusive supplier pricing agreement with Cameron International Corporation (as the supplier) for the purpose of outlining and defining the pricing structure and mechanism for materials and equipment supplied by Cameron International Corporation, and its wholly owned affiliated companies including (i) Cameron France S.A.S., (ii) Cameron Sense A.S., and (iii) Cameron Middle East FZE. The agreement was concluded on 6 Rajab 1441H (corresponding to 1 March 2020G), for a term of one year expiring on 16 Rajab 1442H (corresponding to 28 February 2021G), or following termination by either party by at least 30 days' prior written notice. The Company confirmed that the agreement remains in force as of the date of this Report.

This is a Related Party agreement as the Company is an affiliate of the supplier; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron International Corporation. This agreement and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.5 Transactions on a Purchase Order Basis between the Company and Cameron France S.A.S.

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Cameron France S.A.S (as the supplier). The total value of the purchase orders amounted to SAR 3,636,457.60 for the financial year ended 31 December 2021G. The purchase orders were issued pursuant to the supplier pricing agreement with Cameron International Corporation dated 6 Rajab 1441H (corresponding to 1 March 2020G).

These are Related Party transactions as the supplier is an affiliate of the Company; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron France S.A.S. These transactions and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.6 Transactions on a Purchase Order Basis between the Company and Cameron Sense A.S.

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Cameron Sense A.S. (as the supplier). The total value of the purchase orders amounted to SAR 581,715.89 for the financial year ended 31 December 2021G. The purchase orders were issued pursuant to the supplier pricing agreement with Cameron International Corporation dated 6 Rajab 1441H (corresponding to 1 March 2020G).

These are Related Party transactions as the Company is an affiliate of the supplier; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Sense A.S. These transactions and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.7 Transactions on a Purchase Order Basis between the Company and Cameron Middle East FZE

The Company (as the purchaser) has made several transactions, on a purchase order basis, for supply of equipment and spare parts from Cameron Middle East FZE (as the supplier). The total value of the purchase orders amounted to SAR 9,101,664.07 for the financial year ended 31 December 2021G. The purchase orders were issued pursuant to the supplier pricing agreement with Cameron International Corporation dated 6 Rajab 1441H (corresponding to 1 March 2020G).

These are Related Party transactions as the Company is an affiliate of the supplier; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Cameron Middle East FZE. These transactions and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.8 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201802 Rig AD41, 42, 43, 46, 55, 56, 59, 61, 64, 65, 66 and 67) between the Company and Schlumberger Middle East S.A Company

The Company (as the service provider) has entered into an onshore drilling rigs contract with Schlumberger Middle East S.A Company (as the customer) for the purpose of drilling 129 wells in Ghawar field and other fields in the Kingdom. The contract was concluded on 28 Jumada al-Ula 1439H (corresponding to 14 February 2018G) for an initial three-year term that was extended twice, with the latest extended term expiring on 12 Rajab 1443H (corresponding to 13 February 2022G), extended until 19 Safar 1444H (corresponding to 15 September 2022G), and may be extended for additional period(s) of one year by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party contract as the Company is an affiliate of the customer; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A Company. This agreement and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.9 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD53 and 54) between the Company and Schlumberger Middle East S.A Company

The Company (as the service provider) has entered into an onshore drilling rig contract with Schlumberger Middle East S.A Company (as the customer) for the purpose of drilling 110 wells in Khurais, Mazalij, Abu-Jifan, Ghawar and Abqaiq fields in the Kingdom. The contract was concluded on 22 Sha'ban 1439H (corresponding to 8 May 2018G) for an initial term of three years extended once for another one year, with the latest extended term expiring on 7 Shawwal 1443H (corresponding to 8 May 2022G). AD54 was released by the customer on 9 Dhul Hijjah 1442H (corresponding to 19 July 2021G). In March 2022G, the Company received a letter of award from a new customer for a 3-year contract for both AD53 and AD54 with start date by the end of second quarter in 2022G. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party contract as the Company is an affiliate of the customer; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), an affiliate of Schlumberger Middle East S.A Company. This agreement and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.10 Contract for Onshore Drilling Rig (Contract No. SLB-ADC-201804 Rig AD57, 58, 62, 63 and 68) between the Company and Dowell Schlumberger Saudi Arabia Company

The Company (as the service provider) has entered into an onshore drilling rigs contract Dowell Schlumberger Saudi Arabia Company (as the customer) for the purpose of drilling 70 wells in Ain Dar, Fazran, Abqaiq, Fadhili, Khursaniyah and Abu Hadriya fields in the Kingdom. The contract was concluded on 9 Sha'ban 1439H (corresponding to 25 April 2018G) for an initial term of three years extended once for another one year, with the latest extended term expiring on 5 Shawwal 1444H (corresponding to 25 April 2023G), and may be extended for additional period(s) of two years by a written notice from the customer. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party contract as the Company is an affiliate of the customer; and the Director, Vijay Kasibhatla, has an interest therein as the Director of Mergers and Acquisitions at Schlumberger N.V. (Schlumberger Limited), of which Dowell Schlumberger Saudi Arabia Company is an affiliate. This agreement and such interest have been presented to and approved by the Company's General Assembly in the meeting dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G), for the purpose of Article 71 of the Companies Law.

12.11.11 Commercial Lease Agreement between the Company and Arabian Geophysical and Surveying Company

The Company (as lessor) has entered into a commercial lease agreement with Arabian Geophysical and Surveying Company (as lessee) for the purpose of letting administrative office space in Prince Sultan Road, Al Khobar, the Kingdom. The contract was concluded on 21 Rajab 1434H (corresponding 31 May 2013G), and has been extended until 21 Jumada al-Ula 1432H (corresponding to 25 April 2011G) for a term of two years expiring on 28 Jumada al-Akhirah 1443H (corresponding to 31 January 2022G), automatically renewable. The annual lease amount is SAR 723,500. The parties have agreed to reduce the annual lease amount to SAR 651,150 for the final 12-month period, from 19 Jumada al-Akhirah 1442H (corresponding to 1 February 2022G) to 28 Jumada al-Akhirah 1443H (corresponding to 31 January 2022G). Either party may terminate the agreement by providing 45 days' prior written notice. The lessee may not sublease or assign any portion of the premises without prior written approval from the lessor. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by the Saudi Arabian Arbitration Association.

This is a Related Party contract as the Company is an affiliate of the lessee; and the following Directors have an interest therein: (i) Khalid Mohammed Sedig Nouh as the Chairman of Arabian Geophysical and Surveying Company; and (ii) Samir Seth as the Executive Vice President of Corporate Finance and Planning of The Industrialization & Energy Services Company (TAQA), an affiliate of Arabian Geophysical and Surveying Company. This agreement and such interests have been presented to and approved by the Company's General Assembly in the meeting dated 4 Ramadan 1443H (corresponding to 5 April 2022G), for the purpose of Article 71 of the Companies Law.

12.11.12 Internal Service Level Agreement (Contract No. 100-2020) between the Company and The Industrialization and Energy Services Company (TAQA)

The Company (as the customer) has entered into an internal service level agreement with The Industrialization and Energy Services Company (TAQA) (as the service provider) for the purpose of providing cybersecurity services. The value of the agreement amounted to SAR 310,500 for the financial year ended 31 December 2021G. The agreement was concluded on 12 Shawwal 1441H (corresponding to 4 June 2020G) for a term of one year, automatically renewable unless terminated by either party.

This is a Related Party agreement as the Company is an affiliate of the service provider; and the following Directors have an interest therein: (i) Khalid Mohammed Sedig Nouh as the Chief Executive Officer of The Industrialization and Energy Services Company (TAQA); and (ii) Samir Seth the Executive Vice President of Corporate Finance and Planning of The Industrialization & Energy Services Company (TAQA). This agreement and such interests have been presented to and approved by the Company's General Assembly in the meeting dated 4 Ramadan 1443H (corresponding to 5 April 2022G), for the purpose of Article 71 of the Companies Law.

12.11.13 Secondment Agreement between the Company and The Industrialization and Energy Services Company (TAQA)

The Company (as the customer) has entered into a secondment agreement with The Industrialization and Energy Services Company (TAQA) (as the service provider) for the purpose of seconding a designated employee, for the purpose of assisting the Company's relevant team, as necessary. The Company shall pay the service provider an amount equal to the secondee's costs. The value of the agreement amounted to SAR 195,419 for the financial year ended 31 December 2021G. The agreement was concluded on 19 Sha'ban 1442H (corresponding to 1 April 2021G) and expires upon completion of the secondment, in accordance with the terms of the agreement. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto shall be referred to the competent court in the Kingdom.

This is a Related Party agreement as the Company is an affiliate of the service provider; and the following Directors have an interest therein: (i) Khalid Mohammed Sedig Nouh as the Chief Executive Officer of The Industrialization and Energy Services Company (TAQA); and (ii) Samir Seth the Executive Vice President of Corporate Finance and Planning of The Industrialization & Energy Services Company (TAQA). This agreement and such interests have been presented to and approved by the Company's General Assembly in the meeting dated 4 Ramadan 1443H (corresponding to 5 April 2022G), for the purpose of Article 71 of the Companies Law.

12.11.14 Agreement for Purchase of Rig Move Services (Contract No. 162-2018 Rig AD41) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.15 Agreement for Purchase of Rig Move Services (Contract No. 135-2018 Rig AD59) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.16 Agreement for Purchase of Rig Move Services (Contract No. 136-2018 Rig AD53) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G)) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.17 Agreement for Purchase of Rig Move Services (Contract No. 137-2018 Rig AD54) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.18 Agreement for Purchase of Rig Move Services (Contract No. 138-2018 Rig AD55) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.19 Agreement for Purchase of Rig Move Services (Contract No. 139-2018 Rig AD56) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.20 Agreement for Purchase of Rig Move Services (Contract No. 140-2018 Rig AD57) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.21 Agreement for Purchase of Rig Move Services (Contract No. 141-2018 Rig AD62) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.22 Agreement for Purchase of Rig Move Services (Contract No. 143-2018 Rig AD64) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.23 Agreement for Purchase of Rig Move Services (Contract No. 144-2018 Rig AD65) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.24 Agreement for Purchase of Rig Move Services (Contract No. 145-2018 Rig AD66) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.25 Agreement for Purchase of Rig Move Services (Contract No. 146-2018 Rig AD67) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.26 Agreement for Purchase of Rig Move Services (Contract No. 147-2018 Rig AD68) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.27 Agreement for Purchase of Rig Move Services (Contract No. 150-2018 Rig AD58) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.28 Agreement for Purchase of Rig Move Services (Contract No. 153-2018 Rig AD15) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.29 Agreement for Purchase of Rig Move Services (Contract No. 154-2018 Rig AD16) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.30 Agreement for Purchase of Rig Move Services (Contract No. 155-2018 Rig AD21) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.31 Agreement for Purchase of Rig Move Services (Contract No. 156-2018 Rig AD23) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.32 Agreement for Purchase of Rig Move Services (Contract No. 157-2018 Rig AD31) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.33 Agreement for Purchase of Rig Move Services (Contract No. 158-2018 Rig AD32) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.34 Agreement for Purchase of Rig Move Services (Contract No. 159-2018 Rig AD34) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.35 Agreement for Purchase of Rig Move Services (Contract No. 160-2018 Rig AD35) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.36 Agreement for Purchase of Rig Move Services (Contract No. 161-2018 Rig AD36) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom, and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.37 Agreement for Purchase of Rig Move Services (Contract No. 163-2018 Rig AD42) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.38 Agreement for Purchase of Rig Move Services (Contract No. 164-2018 Rig AD43) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.39 Agreement for Purchase of Rig Move Services (Contract No. 165-2018 Rig AD46) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.40 Agreement for Purchase of Rig Move Services (Contract No. 167-2018 Rig AD48) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.41 Agreement for Purchase of Rig Move Services (Contract No. 169-2018 Rig AD51) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.42 Agreement for Purchase of Rig Move Services (Contract No. 170-2018 Rig AD52) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.43 Agreement for Purchase of Rig Move Services (Contract No. 171-2018 Rig AD12) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.44 Agreement for Purchase of Rig Move Services (Contract No. 172-2018 Rig AD14) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.45 Agreement for Purchase of Rig Move Services (Contract No. 173-2018 Rig AD45) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.46 Agreement for Purchase of Rig Move Services (Contract No. 174-2018 Rig AD29) between the Company and the Subsidiary

The Company (as the customer) has entered into an agreement with the Subsidiary (as the service provider) for the purchase of rig move services in connection with its rigs in the Kingdom. The agreement was concluded on 23 Safar 1440H (corresponding to 1 November 2018G) for a term of three years, automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.47 Service Agreement (Contract No. 01-2009 Rig AD34) between the Company and the Subsidiary

The Company (as the customer) has entered into a service agreement with the Subsidiary (as the service provider) for the operation and maintenance of transportation of the rig and related equipment. The agreement was concluded on 14 Muharram 1430H (corresponding to 14 January 2009G) for a term of three years or until the ultimate customer releases the rig from the well in progress and the rig is demobilised in the Company's storage yard, with the Company having the right to extend the agreement for additional year. The agreement was suspended on 22 Thul-Hijjah 1441H (corresponding to 12 August 2020G), and will be extended for a term equivalent to the suspension period. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.48 Service Agreement (Contract No.27-2005 Rig AD28) between the Company and the Subsidiary

The Company (as the customer) has entered into a service agreement with the Subsidiary (as the service provider) for the operation and maintenance of transportation of the rig and related equipment. The agreement was concluded on 29 Thul-Qi'dah 1425H (corresponding to 10 January 2005G) for a term of three years or until the ultimate customer releases the rig from the well in progress and the rig is demobilised in the Company's storage yard, with the Company having the right to extend the agreement for additional year. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.49 Price Agreement for Services (Generator Rental Services) between the Company and the Subsidiary

The Company (as the service provider) has entered into a price agreement for services with the Subsidiary (as the customer) for the rental of generators and related equipment on a purchase order basis. The agreement was concluded on 4 Rabi' al-Awwal 1442H (corresponding to 21 October 2020G), for a term of 12 months, automatically renewable. The agreement shall be governed by the laws of the Kingdom.

This is a Related Party agreement as the customer is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.50 Crane Services Agreement between the Company and the Subsidiary

The Company (as the customer) has entered into a crane services agreement with the Subsidiary (as the service provider) for supplying equipment and personnel services in connection with equipment in various worksites in the Kingdom. The agreement was concluded on 4 Rabi' al-Thani (corresponding to 1 December 2019G) for a term expiring on 20 Thul-Qi'dah 1442H (corresponding to 30 June 2021G), automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.51 Wheel Loader Services Agreement between the Company and the Subsidiary

The Company (as the customer) has entered into a wheel loader services agreement with the Subsidiary (as the service provider) for the provision of wheel leading services in connection with the transport of the Company's onshore rigs in various worksites in the Kingdom. The agreement was concluded on 4 Rabi' al-Thani (corresponding to 1 December 2019G) for a term expiring on 20 Thul-Qi'dah 1442H (corresponding to 30 June 2021G), automatically renewable for a period of 12 months. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.52 Commercial Lease Agreement between the Company and the Subsidiary

The Company (as lessor) has entered into a commercial lease agreement with the Subsidiary (as lessee) for the purpose of letting office space in Aljawharah District, Prince Sultan Road, Al Khobar, the Kingdom. The agreement was concluded on 12 Thul-Qi'dah 1438H (corresponding to 13 August 2017G) for a term of five years expiring on 24 Muharram 1444H (corresponding to 22 August 2022G), automatically renewable. Either party may terminate the agreement by providing 45 days' prior written notice. The lessee may not sublease or assign any portion of the premises without prior written approval from the lessor. The agreement shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by arbitration, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the lessee is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.53 Memorandum of Understanding between the Company and the Subsidiary

The Company (as the service provider) has entered into a memorandum of understanding with the Subsidiary (as the customer) for the purpose of providing meals to the Subsidiary's personnel and/or other third parties, in a designated location in the city of Dhahran, the Kingdom. The revenues resulting from this memorandum amounted to SAR zero for the financial year ended 31 December 2021G. The memorandum was concluded on 2 Safar 1441H (corresponding to 1 October 2019G) and shall continue until terminated by either party by prior written notice.

This is a Related Party memorandum as the customer is an affiliate of the Company. However, this memorandum does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.54 Memorandum of Understanding between the Company and the Subsidiary

The Company (as the service provider) has entered into a memorandum of understanding with the Subsidiary (as the customer) for the purpose of providing leased vehicles to the Subsidiary's personnel and/or other third parties, in a designated location in the city of Dhahran, the Kingdom. The revenues resulting from this memorandum amounted to SAR zero for the financial year ended 31 December 2021G. The memorandum was concluded on 29 Sha'ban 1442H (corresponding to 11 April 2021G) and shall continue until terminated by either party by prior written notice.

This is a Related Party memorandum as the customer is an affiliate of the Company. However, this memorandum does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.55 Lease Agreement between the Company and the Subsidiary

The Company (as lessor) has entered into a lease agreement with the Subsidiary (as lessee) for the purpose of letting a villa in ADC Al Khobar Compound-2, Al Khobar, the Kingdom. The agreement was concluded a term of one year commencing on 13 Muharram 1442H (corresponding to 1 September 2020G) and expiring on 23 Muharram 1443H (corresponding to 31 August 2021G), automatically renewable. Either party may terminate the agreement by providing three months written notice prior to the end of term. The lessee may not sublease or assign any portion of the premises without the prior written approval from the lessor. The agreement shall be governed and construed in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the lessee is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.56 Lease Agreement between the Company and the Subsidiary

The Company (as lessor) has entered into a lease agreement with the Subsidiary (as lessee) for the purpose of letting a flat in ADC Al Khobar Compound-2, Al Khobar, the Kingdom. The agreement was concluded for a term of one year commencing on 9 Shawwal 1442H (corresponding to 21 May 2021G) and expiring on 19 Shawwal 1443H (corresponding to 20 May 2022G). Either party may terminate the agreement by providing three months written notice prior to the end of term. The lessee may not sublease or assign any portion of the premises without prior written approval from the lessor. The agreement shall be governed and construed in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the lessee is an affiliate of the Company. However, this agreement does not require the approval of the Company's General Assembly as none of the Directors have a direct or indirect interest therein, given that the affiliate is a wholly owned subsidiary of the Company.

12.11.57 Master Transportation Services Agreement between the Subsidiary and TAQA Well Services Company (formerly TAQA Sanjel)

The Subsidiary (as the service provider) has entered into a master transportation agreement with TAQA Well Services Company (formerly TAQA Sanjel) (as the customer) for the purpose of land transportation and mechanical lifting services. The contract was concluded on 3 Thul-Qi'dah 1441H (corresponding to 24 June 2020G) for a term of two years, the customer may extend the term of the agreement for one additional year upon a written notice prior to the last day of the initial term. The contract shall be governed by the laws of the Kingdom and any dispute in connection thereto, not amicably settled by the parties, shall be finally resolved by negotiations and any dispute in connection thereto, in accordance with the applicable laws in the Kingdom.

This is a Related Party agreement as the service provider is affiliated to the customer. However, this agreement does not require the approval of the Company's General Assembly as it does not involve the Company as a party thereto, but rather the Subsidiary, which is a limited liability company as of the date of this Prospectus.

12.12 Conflicts of Interests

As of the date of this Prospectus, the Directors confirm that they do not have a conflict of interest in relation to contracts and/or transactions entered into with the Company except as disclosed in Section 12.11 (*Related Party Contracts and Transactions*), and none of them were engaged in any activities similar to, or competing with, the Company's activities with the exception of the following Director (who obtained approval to engage in competing activities by the General Assembly at its meeting held on 4 Ramadan 1443H (corresponding to 5 April 2022G)) (for further details, see Section 5.7 (*Conflicts of Interest*)).

The following table shows the details of the relevant Director's engagement in similar or competing activities of the Company:

Table (12.14): Details of the Director's Engagement in Activities Similar or Competitive to the Company as of the Date of this Prospectus

Director	The Relevant Company Relating to a Director	The Position of a Director in the Relevant Company		The Nature of the Competing Activity
		Shareholder/Partner	Director	
Vijay Kasibhatla	Schlumberger Limited (Schlumberger N.V.)	No	Director of Mergers and Acquisitions	Land drilling rig services.

12.13 Intellectual Property

12.13.1 Trademarks

The Company and the Subsidiary do not rely heavily on the trademarks registered in their names, but generally rely on their expertise in addition to comprehensive pre-qualification procedures for the purpose of their business and activities. The Company and the Subsidiary use their trademarks within a specific legal framework, and they are protected by registration with the competent authorities. As of the date of this Prospectus, the Company submitted an application to register the trademark it uses to carry out its business, and the Subsidiary registered its trademark on 11 Shawwal 1443H (corresponding to 12 May 2022G). Therefore, if the Company or the Subsidiary fail to protect their trademarks or either of them is forced to take legal action necessary to protect the same, this can have an adverse effect on its ability to use such trademarks (for further details on risks related to the trademarks, see Section 2.1.34 (*Risks Related to Protection of Intellectual Property Rights*)).

The following table sets out certain key particulars of the Company and the Subsidiary's trademarks, both of which are under processing with the Saudi Authority for Intellectual Property:

Table (12.15): Details of Registered Trademarks

Country of Registration	Description of Trademark[1]	Validity/Expiration Date	Category	Logo
Kingdom	A white card with a blue diamond inside it, with the word Ofsat written in Latin letters in white colour, and above the figure written the phrase **"شركة اوفسات العربية المحدودة"** in Arabic letters in blue colour between two horizontal lines, and at the bottom of the figure written the phrase "**OFSAT ARABIA (L.L.C.)**" in Latin letters in blue colour between two horizontal lines.	The "**Ofsat**" trademark has been registered on 11 Shawwal 1443H (corresponding to 12 May 2022G). The protection period commenced on 13 Rajab 1443H (corresponding to 14 February 2022G) and is valid for ten years from its date.	39	

Source: The Company.

[1] As part of an ongoing rebranding exercise, the Company commenced the registration process for the "Arabian Drilling" trademark in both Arabic and English with the Saudi Authority for Intellectual Property on 30 Thul-Qi'dah 1443H (corresponding to 29 June 2021G). Subsequently, the applications for registration of the "Arabian Drilling" trademark in both Arabic and English with the Saudi Authority for Intellectual Property were formally completed and submitted on 20 Thul-Hijjah 1443H (corresponding to 19 July 2022G) and 21 Thul-Hijjah 1443H (corresponding to 20 July 2022G), respectively. The trademarks were published on 2 Muharram 1444H (corresponding to 31 July 2022G) and 3 Muharram 1444H (corresponding to 1 August 2022G), respectively, marking the commencement of a 60-day opposition period before finalising the registration process.

12.13.2 The Company's Other Intellectual Properties

The Company owns one internet domain registered under its name. The following table sets out the details of the internet domain registered under the Company's name:

Table (12.16): Details of Internet Domain Name

Internet Domain Name	Expiration Date
https://www.arabdrill.com	20 Rabi' al-Awwal 1463H (corresponding to 23 March 2041G)

Source: The Company.

12.14 Litigation

As of the date of this Prospectus, there are three cases filed against the Company and the Subsidiary, the total claims for the lawsuit filed against the Company and the Subsidiary amount to SAR 74,268. Below are the details of the outstanding claims and cases filed against the Company:

12.14.1 Former Lessee v. the Company

Former Lessee (as the plaintiff) has initiated a claim in the General Court in Al-Khobar, the Kingdom of Saudi Arabia, under case number 431812569 in 2022G against the Company (as the defendant) in respect of compensation for damages in connection with a previous case raised by the Company against the current plaintiff with respect to unpaid rent for a leased property, in which a verdict was issued dismissing the case. The total disputed amount is SAR 30,000. The dispute is currently in the hearing process.

12.14.2 Former Employee v. the Company

Former Employee (as the plaintiff) has initiated a claim in the Labour Court in Al Ahsa, the Kingdom of Saudi Arabia, under case number 14430628267 in 2022G against the Company (as the defendant) in respect of unpaid salaries for the period of June and July 2020G, and the period between December 2021G and January 2022G. The total disputed amount is SAR 17,268. The dispute is currently in the hearing process.

12.14.3 Former Employee v. the Subsidiary

Former Employee (as the plaintiff) has initiated a claim in the Labour Court in Al Dammam, under case number 439167042 in 2022G against the Subsidiary (as the defendant) in respect of unpaid salaries for 22 days in the month of February 2022G, compensation for the balance of 90 unused annual leave days, ticket allowances for the years 2020G, 2021G and 2022G, in addition to end of service benefits. The total disputed amount is SAR 27,000. The dispute is currently in the hearing process.

12.15 Summary of Bylaws

12.15.1 Name of the Company

The name of the Company is "Arabian Drilling Company", a Saudi mixed joint stock company.

12.15.2 Objects of the Company

The Company's objects are:

- drilling of oil fields;
- drilling of natural gas fields;
- services related to oil extraction except surveying services;
- services related to natural gas extraction except surveying services;
- test drilling of mineral explorations and precious metals;
- drilling of tubular water wells; and
- drilling of manual water wells.

12.15.3 Participation

The Company may acquire shares and interests in other existing companies, or merge with them, and shall have the right to participate with others in establishing companies after satisfying the requirements set out by applicable laws, regulations, procedures and rules in the Kingdom (the "**Applicable Law**"), provided always that the Company may incorporate other joint stock or limited liability companies, subject to the Company having a share capital of no less than five million Saudi Arabian Riyals (SAR 5,000,000). The Company may further dispose of such shares or interests provided that disposition thereof shall not include brokerage in the said shares or interests.

12.15.4 Head Office of the Company

The head office of the Company is located in the city of Al-Khobar, the Kingdom. The Company may establish branches inside and outside the Kingdom by a resolution from the Board of Directors.

12.15.5 Duration of the Company

The term of the Company is twenty-five (25) Gregorian years commencing from its registration in the commercial register as a mixed joint stock company. Such duration may be extended for similar period(s) by a resolution issued by the Extraordinary General Assembly at least six (6) months before the expiration of such term.

12.15.6 Company's Share Capital

The share capital of the Company is set at eight-hundred million Saudi Arabian Riyals (SAR 800,000,000), divided into eighty million (80,000,000) Shares with a fully paid-up nominal value of ten Saudi Arabian Riyals (SAR 10) each, all of which are ordinary Shares.

12.15.7 Capital Subscription

The Shareholders have subscribed in all of the eighty million (80,000,000) Shares of the Company, and paid in full their nominal value of eight-hundred million Saudi Arabian Riyals (SAR 800,000,000).

12.15.8 Unpaid Value of Shares

Shareholders shall pay the value of the Shares on the dates set for such payment. If a Shareholder defaults in payment when it becomes due, the Board of Directors may, after giving notice to a Shareholder through a registered letter sent to the address specified in the Shareholders' register, sell the Shares at a public auction or the stock exchange, as the case may be, in accordance with the Applicable Law.

The Company shall recover from the proceeds of sale such amounts as are due to it and shall refund the balance to the Shareholder. If the proceeds of sale fall short of amounts due, the Company shall have a claim on the entirety of the unpaid balance from the defaulting Shareholder's personal assets.

The defaulting Shareholder may, up to the date of sale, pay the amount due from him/her plus all the expenses incurred by the Company in this regard.

The Company shall cancel the Shares sold in accordance with the provisions of this Article and give the purchaser new Shares bearing the serial numbers of the cancelled Shares and make a notation to this effect in the Shareholders' register, together with the name of the new holder.

12.15.9 Share Issuance

The Shares shall be classified as nominal shares. Shares may not be issued at less than their nominal value, but they may be issued at a premium value. In this case, the difference in value shall be prescribed in a separate item under Shareholders' equity and it may not be distributed to Shareholders as profits. Shares shall be indivisible vis-à-vis the Company. If a Share is jointly owned by several persons, they must elect one of them to exercise the rights attached to such Share on their behalf, but they shall be jointly liable for the obligations arising from the ownership of such Share.

12.15.10 Share Certificates

The Company shall issue share certificates representing the Shares. Each share certificate shall have a serial number, be signed by the Chairman of the Board or whomever he/she delegates from the Directors, and bear the Company's common seal. Each share certificate shall also contain the number and date of the ministerial resolution approving conversion of the Company as well as the number and date of the ministerial resolution announcing conversion of the Company, together with details of the value of capital, number of Shares outstanding, the nominal value of Shares, the paid-up value thereof, the purpose of Company in brief, the head office and term of the Company. Shares may have serial-numbered coupons with number of Shares attached thereto.

12.15.11 Trading of Shares

Shares subscribed to by the founders may not be tradable except upon publication of the financial statements for two consecutive financial years from the date of the Company's incorporation, provided each year is not less than twelve (12) months. The certificates for such Shares shall be marked with an indication of their class, the date of the Company's incorporation and restriction period for trading.

During the lock-up period, Shares owned by a founder may be transferred to another founder in accordance with the provisions governing the sale of rights, or from the heirs of a deceased founder to a third party, or to a third party in case of enforcement against the property of an insolvent or bankrupt founder, without prejudice to other founders' right of first refusal.

The provisions of this Article shall apply to such Shares that are subscribed in by the founders in the event of a capital increase prior to expiration of the lock-up period.

12.15.12 Shareholders' Register

The Shares shall be transferred by registration in the Shareholders' register maintained or outsourced by the Company. This register contains names of the Shareholders, their nationalities, their places of residence, and their professions, in addition to the serial numbers of the Shares and the amount paid thereof, while and annotation reflecting the same shall be made on the Shares. The transfer of title to a Share shall not be effective vis à vis the Company or any third party except from the date of registration in the said register.

12.15.13 Increase of Share Capital

The Extraordinary General Assembly may adopt a resolution to increase the Company's share capital, provided that the original capital must have been paid in full, unless the unpaid portion of the share capital relates to debt or financing instruments convertible to Shares and the period for converting such instruments to Shares has not expired yet.

In all cases, the Extraordinary General Assembly may allocate Shares issued as a result of a capital increase or a part thereof to the Company employees and/or its subsidiaries' employees. The Shareholders may not exercise their pre-emptive rights on Shares allocated to employees.

The Shareholders shall have pre-emptive rights to subscribe, at the time of issuing the Extraordinary General Assembly resolution approving the capital increase, in the newly issued Shares issued for cash contribution. The Shareholders shall be notified of their pre-emptive rights for such capital increase by notice to be sent to them by registered mail, which shall include conditions for subscription, its term, and start and end dates.

A Shareholder may sell or assign its pre-emptive rights during the period from the date of the Extraordinary General Assembly Resolution approving the capital increase until the subscription closing date, in accordance with the Applicable Law.

Subject to the abovementioned provisions, new Shares shall be distributed to pre-emptive rights holders who have applied for subscription in proportion to the total pre-emptive rights resulting from the capital increase provided that the number of Shares allocated to them shall not exceed the number of new Shares they have applied for. The remaining new Shares shall be allocated to the original Shareholders who have applied for more than their proportionate share, in proportion to the pre-emptive rights they hold out of the total pre-emptive rights resulting from the capital increase, provided that the number of Shares allocated to them shall not exceed the number of new Shares they have applied for. The remaining Shares shall be offered to third parties unless otherwise provided for by the Extraordinary General Assembly.

12.15.14 Decrease of Share Capital

The Extraordinary General Assembly may resolve to decrease the Company's capital if it exceeds the Company's needs or if the Company suffers losses. The capital may, in the latter case alone, be decreased to less than the limit stipulated in Article 54 of the Companies Law. Such resolution shall be issued only after receiving a special report prepared by the auditor on the reasons for such reduction, the obligations to be fulfilled by the Company, and the impact of the reduction on such obligations.

If the reason for the capital reduction is that the capital is in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within sixty (60) days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the locality of the head office of the Company. Should any creditor object and present to the Company evidentiary documents within the period set above; then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is payable at a future date.

12.15.15 Buy-back, Sale, Pledge of Shares by the Company

The Company may purchase its ordinary Shares and preferred shares in accordance with the regulatory rules set by the competent authorities. Shares purchased by the Company shall not have any votes in the Shareholders' assemblies.

The Company may purchase its shares to use them as treasury shares in accordance with the objectives and rules set by the competent authorities.

As part of an employee share scheme, the Company may purchase its shares in favour of its employees or employees of a subsidiary wholly or partially owned by the Company (whether directly or indirectly) in accordance with the regulatory rules set by the competent authorities.

The Company may sell its treasury shares in one stage or several stages in accordance with the regulatory rules set by the competent authorities.

The Company may pledge its shares to guarantee a debt in accordance with the regulatory rules set by the competent authorities.

12.15.16 Board of Directors

The Company shall be managed by a Board of Directors consisting of nine (9) Directors who shall be appointed by the Ordinary General Assembly for a term not exceeding three (3) years, provided that the majority of Directors shall be non-executives and three (3) shall be independent Directors.

The Directors shall be elected based on cumulative voting in accordance with the Companies Law, and each Shareholder shall be entitled to nominate a number of individuals for membership of the Board of Directors based on such Shareholder's share in the capital of the Company.

As an exception to the above, the Company's first Board of Directors was appointed for a term of five (5) years by the Conversion Assembly of the Company (the "**Conversion Assembly**").

12.15.17 Membership Termination

Membership in the Board of Directors shall cease at the expiry of the term or if the membership is terminated in accordance with the Applicable Law. However, the Ordinary General Assembly may, at any time, remove all or any of the Directors, without prejudice to the right of a removed Director to hold the Company liable if the removal is made without acceptable justification or at an improper time. A Director may resign, provided that such resignation is made at a proper time; otherwise, such a Director shall be liable towards the Company for damages resulting from such resignation.

12.15.18 Board Vacancy

In the event that a position of a Director becomes vacant, the Board may appoint an interim Director. Such temporary Director(s) shall have sufficient experience and qualifications to fill the vacancy at the Board's discretion. The competent authority shall be informed within the time limit as specified in the Companies Law. Such appointment shall be submitted to the earliest Ordinary General Assembly. The new Director shall complete the unexpired term of his predecessor. Where the conditions required for holding the Board of Directors meeting are not satisfied because the number of Directors falls below the minimum prescribed in the Applicable Law or these Bylaws, the remaining Directors must call the General Assembly to convene within sixty (60) days to elect the required number of Directors.

12.15.19 Powers and Duties of the Board

Without prejudice to the competencies reserved to the General Assembly, the Board of Directors shall be vested with the full and widest powers to manage and supervise the Company business and affairs, and to set policies and charters which achieve the Company's objectives inside the Kingdom and outside, provided that resolutions of the Board relating to the following matters (the "**Supermajority Board Matters**") shall be adopted by the affirmative votes of at least seven (7) Directors present or represented by proxy:

- preparing and adopting all of the Company's corporate governance documents, internal charters and policies, including but not limited to, internal financial, administrative and technical policies, in addition to policies and charters relating to personnel, other than charters and policies which require approval and adoption by the General Assembly pursuant to the Applicable Law;
- determining the structure of the Company's executive management team and the powers, authorities and duties delegated to the members of such management team, including appointing and removing the CEO and other members of the management team, all of whom shall have the required expertise and qualifications as the Board of Directors deems appropriate; and setting their salaries, in-kind benefits, bonuses and other compensation;
- appointing the Board Secretary;
- without prejudice to the Applicable Law, forming committees of the Board of Directors and granting them powers as the Board of Directors deems appropriate, approving their charters, and coordinating with such committees to promptly resolve the matters presented to them;
- disposition of the Company's assets, property and real estate, including the right to purchase and accept, pay the price, mortgage and remove any mortgage, sell, transfer the ownership and receive consideration for any such assets, property and real estate;
- conducting all banking transactions inside and outside the Kingdom, including opening of bank accounts in the local currency and any foreign currencies, updating account data, re-activating, closing and settlement of bank accounts, authorising and cancelling of account signatories, withdrawals, deposits, local and international transfers, sale and purchase of foreign currencies, requesting all types of checks, issuing, cashing, receiving returns and presenting check objections, requesting check objection letters, requesting all electronic banking services and obtaining pin code numbers, approving and executing bank agreements on behalf of the Company by telephone and fax, and sign and execute all treasury products, representing the Company in negotiations with bank and lenders in connection with applications for loans and facilities of all types from all commercial banks government funds, financing institutions, finance houses, credit companies, and any other loan agencies, for any amount or duration, in respect of the loan, and to sign and execute all related documents including subordination agreements, accepting and signing on all terms and conditions, undertakings, renewals, amendments and agreements for rescheduling, signing and executing corporate guarantees on behalf of the Company to secure all facilities granted to the Company and its affiliates from time to time, and to secure all facilities granted to third parties, providing all types of securities on behalf of the Company to secure all facilities granted to the Company and its affiliates from time to time and also to secure all facilities granted to third parties, issuing letters of guarantee in all types, opening and renewing letters of credit on behalf of the Company;
- executing financing agreements, including Islamic Murabaha agreements, Tawarruq, ISDA agreements and all other agreements, and taking the necessary action to give effect to the same;
- executing investment agreements of all kinds, waiver of rights and signing and executing all types of assignments including in connection with contracts and income proceeds benefits, issuing pledges, cancelling pledges, issuing and signing all types of undertaking letters, sale of all types of assets related to the Company, including, but not limited to pledging and sale of real estate, shares, equipment, investment fund units, deposits of all types and liquidating the same and opening all safety deposits, collecting all rights relating to the Company, and performing all obligations of the Company, approval of debts of the Company, whether new or old, executing settlement agreements and rescheduling agreements, issuance and signing of commercial papers and promissory notes, order notes, cashing, retrieving, objecting to and receiving the same, representing the Company with all banks, governmental, executive, judicial and other entities in all matters relating to the Company's affairs and serving its objectives;
- authorising the investment of the Company's liquid funds;
- adopting the Company's business plan and approving its annual budget and annual operating plan;
- approving the financial support and loans to companies wholly owned by the Company or in which the Company holds shares along with other companies and guaranteeing the debts of any of those companies;
- approving to discharge the Company's debtors of their obligations in a manner serving the Company's interest;

- subject to below mentioned provisions of the Bylaws, incorporating joint stock or limited liability companies, subject to the Company having capital of no less than five million (5,000,000), or establishing any new branches or businesses, if the objective of such companies, branches or businesses is solely the operation and maintenance of drilling rigs; and
- delegating the authorities within the powers of the Board of Directors to any one or more of the Directors, the management team or others to exercise such authorities or carry out specific procedures or actions and terminating such authorisation or delegation fully or partially.

12.15.20 Remuneration of the Directors

The remuneration of the Directors shall be determined by the General Assembly upon appointment, and it may consist of a specified amount, an allowance for attendance of meetings, in-kind benefits, a percentage of the net profits, or a combination of two or more of these benefits. In all cases, the total amount of the remuneration, in financial or material benefits of each of the Directors shall not exceed the amounts specified in the Companies Law, its Implementing Regulations and the Applicable Law. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by the Directors during the financial year in remuneration, allowances, expenses and other benefits as well as the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration for technical, administrative or advisory services. The report shall also include a statement of the number of Board meetings and the number of meetings attended by every Director as of the date of last General Assembly meeting.

12.15.21 The Authorities of the Chairman, Deputy Chairman, Chief Executive Officer and Secretary

The Board of Directors shall appoint from amongst its members a Chairman and a Deputy Chairman (the "**Deputy Chairman**") and it shall be impermissible for a Director to simultaneously occupy the position of Chairman and any executive management position in the Company.

Subject always to acting in accordance with any resolution of the Board of Directors or the Shareholders (as applicable), the Chairman shall have the power to represent the Company before courts, arbitration, tribunals, governmental and private authorities and any third party. Particularly, the Chairman shall have the following authorities:

- **in relation to real estate:** to sell, rent and transfer the ownership of real estate properties, purchase, accept transfer of ownership, and pay the consideration, mortgage, and redemption, and obtain the title deeds; merge title deeds, distribute, sort, receive title deeds, request updating and entering it into the electronic systems, issue replacement title deeds for lost or damaged ones, amending the owner's name, national ID number, modify borders, lengths, area, part numbers, charts, deeds, their dates, neighbourhood names, following up with notaries to inquire about real estate properties, and authenticating copies of the deeds; following up with all relevant authorities, complete all necessary procedures and sign documents required by such procedures, sign, renew and terminate lease agreements, register, manage and conduct all necessary procedures related to the rental process through the related electronic services;

- **In relation to litigation:** initiating of lawsuits and claims, pleading and defending, hearing and responding to lawsuits, acknowledgment, denial, reconciliation, waiver, acquittal, demanding of oaths, rejecting and abstaining from the same, calling witnesses, presenting evidence and challenging the same, responding and amending, challenging forgery, challenging the validity of the writings, seals and signatures, requesting and cancelling travel bans, visiting the law enforcement and executive departments, requesting arbitration, appointing experts and arbitrators, challenging the reports of experts and arbitrators and refusal and replacing them, requesting the enforcement of judgments, accepting and rejecting judgments, objecting to and appealing judgments, submission of petitions for review, annotation on judgment deeds, requests for exoneration, requests for pre-emption, completion of required procedures to attend hearings in all cases before all courts, receipt of sums, receipt of judgment deeds, request the recusal of a judge, request referral of a lawsuit, before all courts, including without limitation, Administrative Courts (Board of Grievances), the General Court, the Labour Court, the Labour Committees, the Financial Dispute Resolution Committees, the Banking Disputes Resolution Committee, the Committee for the Resolution of Securities Disputes, the Commercial Notes Dispute Offices, the Commercial Dispute Adjudication Committees, the first instance and appellate Customs Committees, the Commercial Fraud Committees, the Committees For Resolution Of Insurance Disputes and Violations, the Control and Investigation Authority, the Public Prosecution, the Supreme Court, the Tax Committees for Resolution of Tax Violations and Disputes, the Appeal Committee for Tax Violations and Disputes, the Committee for the Resolution of Copyright Infringements, the Patent Dispute Committee, the Committee for Consideration of Trademarks Grievances, the Courts of Appeal, the Supreme Judicial Council, submitting an appeal of the judgment before the Supreme Court, representation before the notary public offices, receipt and delivery, requesting a grace period, visiting all relevant authorities and completing all necessary procedures and signing and executing documentation, as required;
- **in relation to companies**: to sign the articles of association and its amendments, to sign shareholders' resolutions, appoint and remove board members and amend the management clause, to enter into existing companies, to set, increase and decrease the capital, to sell and purchase shares and stock on behalf of the Company, and to pay and receive the amounts thereof, to assign and accept the assignment of shares and capital, to transfer shares, stock and bonds, to open and close bank accounts for the Company, to sign agreements, to amend articles of association and its amendments, to register the Company, to register commercial agencies and trademarks, to assign and cancel trademarks, to attend general and conversion assemblies, to issue the Company's files, to open new branches, to cancel articles of association or its amendments, to sign articles of association and its amendments before the notary public, to register and renew the chamber of commerce certificate, to follow up with the Capital Market Authority, and to publish the Company's articles of association (including its amendments and extracts) and Bylaws;
- **in relation to banks:** to request bank loans in compliance with *Shari'ah* rules and regulations of banks, and to approve mergers and acquisitions of new companies;
- **in relation to non-governmental institutions:** to follow up with governmental entities, and to sign loan agreements with the Saudi Industrial Development Fund including the corporate guarantees;
- **In relation to industrial licences:** to issue, renew, amend and cancel licences, to add an activity to such licences, and reserve (trade) names, and to commit to membership with the Chamber of Commerce and renew such membership;
- **in relation to commercial registrations:** to follow up with the commercial registrations department, to issue, renew, mange, cancel and amend the commercial registration, to follow up with relevant entities and finalise the necessary procedures, to sign as and when required;
- **in relation to labour offices:** extraction of visas, cancellation of visas, transfer of sponsorship, adjustment of occupations, update workers' data, reporting labour escape, cancellation of labour escape reports, extraction of work permits, completion of employment procedures at General Organization for Social Insurance, follow up with the department of employment, add or drop Saudi employees, receive Saudization certificates, opening and renewing and cancelling main and sub-files, extraction of data disclosure, follow up with the private offices department for recruitment, activate electronic gateway, upgrade to second level;
- **in relation to passports:** extraction of residence permits, renewing residence permits, apply for an exit-return visa, apply for a final exit visa, transfer and update data, adjustment of occupations, extraction of data disclosure, follow up with Migration Department and Saudi Ports Authority, register in electronic services and receive the password;
- **in relation to governmental ministries:** to follow up with: Ministry of Interior, Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Finance, Ministry of Environment, Water and Agriculture, Ministry of Human Resources and Social Development, Ministry of Municipal, Rural Affairs and Housing, Ministry of Energy, Ministry of Industry and Mineral Resources, Ministry of Transport, and all of its branches and departments;

- **In relation to governmental authorities:** to follow up with: Control and Anti-Corruption Commission (Nazaha), Public Prosecution, Ministry of Investment, General Authority for Competition, Saudi Human Resources Development Fund and sign their contracts, and all of their branches and departments; and
- **in relation to security agencies:** to follow with the Principality, Division of Enforcement of Judgments, Police Departments, all of its branches and departments.

  The Chairman shall have the right to delegate any or all authorities in this paragraph of the Bylaws to the Directors, the CEO or any other person. The Board of Directors shall set out the Chairman's authorities in respect of matters where these Bylaws are silent.

  The Board shall appoint a CEO in accordance with the provisions of these Bylaws, who shall be responsible for the implementation of decisions of the Board, conduct of day-to-day business of the Company. The CEO shall have authorities delegated to him/her by resolution of the Board in accordance with the provisions of these Bylaws. Unless prohibited by such Board resolution, the CEO shall have the right to sub-delegate these authorities to other members of the executive management team and others.

  The Board shall appoint a Secretary from the Directors or others and shall determine his/her responsibilities and compensation. The Secretary shall be responsible for documenting the Board meetings and preparing all minutes.

  The term of the Chairman, the Deputy Chairman, and the Secretary (if the Secretary is a Board member) shall not exceed the term of their respective membership on the Board, however they may be re-appointed. The Board may, at all times, remove any or all of them without prejudice to their right to compensation if such removal was due to illegitimate reason or at an inappropriate time.

12.15.22 Board Meetings

The Board shall meet at least four (4) times a year upon the invitation of its Chairman, such invitation shall include the meeting agenda and be sent at least two weeks prior to the meeting, unless agreed otherwise by the Directors. The Chairman shall invite the Board to meet when requested by at least two (2) Directors.

12.15.23 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes in both Arabic and English and to be signed by the Chairman, the present Directors and the Secretary. Such minutes shall be recoded in a special register signed by the Chairman and the Secretary.

12.15.24 Quorum and Representation

A meeting of the Board shall be valid only if attended by a minimum of seven (7) Directors. A Director may delegate another Director to attend Board meetings by proxy, however, such delegation shall be made according to the following:

- a Director may not be a delegate for more than one Director at the same meeting;
- such delegation shall be made in writing and presented to the Board; and
- the delegate may not vote on resolutions which the principal is prohibited from voting on, in accordance with the Applicable Law.

Other than in relation to Supermajority Board Matters, resolutions of the Board shall be adopted by the majority vote of the Directors present or represented by proxy. In the event of a tie vote on resolutions that do not relate to Supermajority Board Matters, the Chairman will have the casting vote.

The Board may adopt resolutions to be presented to Directors separately or remotely unless a Director requests in writing a physical Board meeting to take place for deliberation of the relevant resolutions. Any such resolutions shall be presented to the Board at its first meeting to follow for endorsement.

12.15.25 Shareholders Assemblies

Each Shareholder shall have the right to attend the Conversion Assembly and all other General Assembly meetings, and may authorise another person, other than a Director or an employee of the Company, to attend the General Assembly on his/her behalf as a proxy.

12.15.26 Conversion Assembly

The Shareholders shall call for a Conversion Assembly meeting, to be held within forty-five (45) days from the date of the ministerial resolution approving the conversion of the Company to a closed joint-stock company. The meeting shall be valid only if attended by a number of subscribing Shareholders representing at least three-quarters (3/4) of the Company's share capital. If such quorum is not achieved, an invitation shall be made for a second meeting to be held at least fifteen (15) days after the date of such invitation. The second meeting shall be valid regardless of the number of subscribing Shareholders represented therein.

The Conversion Assembly shall have the competencies stated in Article 63 of the Companies Law.

12.15.27 Ordinary General Assembly

Except for matters reserved to Extraordinary General Assembly pursuant to Article 30 of the Bylaws and matters reserved to the Board pursuant to the provisions of the Bylaws, the Ordinary General Assembly is competent to consider all matters related to the Company prescribed by the Applicable Law or these Bylaws and shall be convened at least once a year within six (6) months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be convened, as necessary.

12.15.28 Extraordinary General Assembly

The Extraordinary General Assembly shall have the following competencies:

- amending the Company's Bylaws, except for amendments which are deemed void pursuant to the provisions of the Companies Law;
- approving conducting of the Company's business operations in Oman and/or Pakistan;
- increasing the Company's share capital in accordance with the conditions provided in the Companies Law and its Implementing Regulations;
- decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the conditions provided in the Companies Law and its Implementing Regulations;
- resolving to maintain or liquidate the Company before the end of the term specified in its Bylaws;
- approving the buy-back of the Company's Shares;
- issuing preferred shares or purchasing the same, or converting ordinary Shares into preferred shares or converting preferred shares into ordinary Shares as per the Company's Bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to joint stock companies;
- issuing debt or financing instruments convertible into shares, and stating the maximum number of shares that may be issued against these instruments;
- allocation of Shares issued by way of capital increase, or any part thereof, to employees of the Company, and the Company's affiliates or some or any of them;
- suspending pre-emptive rights of Shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases deemed in the interest of the Company; and
- incorporating joint stock or limited liability companies, subject to the Company having capital of no less than five million Saudi Riyals (SAR 5,000,000), or establishing any new branches or businesses, if the objective of such companies, branches or businesses is not solely the operation and maintenance of drilling rigs.

The Extraordinary General Assembly shall have the right to adopt resolutions on matters within the competencies of the Ordinary General Assembly under the same conditions and procedures prescribed for the latter.

12.15.29 Manner of Convening Assemblies

The General Assembly of Shareholders or the assembly of Shareholders holding preferred shares of the Company shall be convened at the invitation of the Board of Directors. The Board of Directors shall invite a meeting of the Ordinary General Assembly if requested to do so by the auditor, the Audit Committee of the Company (the "**Audit Committee**") or by a number of Shareholders representing at least five per cent. of the Company's share capital. The auditor may invite the General Assembly to convene if the Board of Directors does not invite the General Assembly to convene within thirty (30) days from the date of auditor's request.

Invitations for General Assembly meetings shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least twenty-one (21) days prior to the date set for the meeting. Nevertheless, it suffices to send the invitation to all Shareholders by registered mail within the time limit set above. A copy of both the invitation and the agenda shall be sent to the Ministry of Commerce within the period specified for publication.

General Assemblies may be held, and the Shareholders may participate in the deliberations and voting on all Shareholders' resolutions, by using means of contemporary technology, in accordance with the Applicable Law.

12.15.30 Record of Attendance

Shareholders wishing to attend Ordinary or Extraordinary General Assemblies shall register their names at the Company's head office ahead of the scheduled General Assembly meeting. The Company shall make available suitable means to Shareholders who wish to attend the General Assembly and vote on the resolutions through means of contemporary technology and register the names of such Shareholders accordingly. For the avoidance of doubt, if a Shareholder registers to attend a General Assembly though means of contemporary technology and is unable to attend due to a failure of such contemporary technology, then the meeting of the General Assembly shall not be considered valid for the purposes of the provisions of these Bylaws.

12.15.31 Quorum of the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least half (50.0 per cent.) of the Company's share capital. If such quorum cannot be attained at the first meeting, a call for convening a second meeting, within thirty (30) days following the prior meeting, shall be made and declared in the manner prescribed in these Bylaws. The second meeting may be convened one hour from the expiry of scheduled time for convening the first meeting, provided that the call for convening the first meeting shall indicate the possibility to convene this meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

12.15.32 Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall only be valid if attended by Shareholders representing at least two-thirds (2/3) of the Company's share capital. If such quorum cannot be achieved at the first meeting, an invitation for a second meeting shall be made in the manner prescribed herein.

The second meeting may be convened one hour from the end of the period set for convening the first meeting, provided that the call for convening the first meeting shall indicate the possibility of convening this meeting. In all cases, the second meeting shall only be valid if attended by a number of Shareholders representing at least one quarter (25.0 per cent.) of the Company's share capital.

If the quorum set forth in paragraph (2) is not achieved at the second meeting, a notice shall be sent for a third meeting to be held in the same manner provided for in herein. The third meeting shall be valid regardless of the number of Shares represented therein, after the approval of the competent authority.

12.15.33 Voting Rights

Each Shareholder shall have one (1) vote for every Share he/she represents at the conversion General Assembly. Each Shareholder shall have one (1) vote for every Share he/she represents at the General Assembly. Cumulative voting shall be used for the election of Directors.

12.15.34 Resolutions

Resolutions of the Conversion Assembly shall be adopted by the affirmative vote of at least three-quarters (75.0 per cent.) of the Shares represented at the meeting and resolutions of the Ordinary General Assembly shall be adopted by the affirmative vote of a majority of the Shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by the affirmative vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company prior to the expiry of its term specified in the Bylaws or merging the Company with another company, then such resolution shall be valid only if adopted by the affirmative vote of at least three-quarters (75.0 per cent.) of the Shares represented at the meeting.

12.15.35 Deliberations at Assemblies

Each Shareholder shall have the right to discuss the items listed in the agenda of a General Assembly, and to address questions to the Directors and the auditor in respect thereof. The Directors or the auditor shall answer Shareholders' questions to such an extent that would not jeopardise the Company's interests. If a Shareholder deems the answer to his question is unsatisfactory, then such Shareholder may refer this issue to the General Assembly whose decision shall be conclusive in this respect.

12.15.36 Proceedings of the General Assembly

The General Assembly meetings shall be presided over by the Chairman or, in his absence, the Deputy Chairman or, in the absence of both the Chairman and the Deputy Chairman, any other Director delegated by the Board for such task.

Minutes shall be kept for every General Assembly meeting, and shall include the names of Shareholders present or represented, the number of Shares held by each of them, whether as principle or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the deliberations conducted at the meeting. Minutes shall be recorded on a regular basis after each meeting in a special register, which shall be signed by the chairman of the General Assembly, its secretary, and the vote counter.

12.15.37 Audit Committee

The Audit Committee shall be formed by a resolution of the Ordinary General Assembly and shall consist of at least three (3) members, provided that the members are not executive Directors, whether from the Shareholders or otherwise. The resolution shall also determine the Audit Committee's responsibilities and procedures as well as the remuneration of its members

Meetings of the Audit Committee shall be valid if attended by a majority of the members of the Audit Committee, and its resolutions shall be adopted by the majority of votes present. In the event of a tie vote, the chairman of the Audit Committee shall have the casting vote.

The Audit Committee is competent to supervise Company's business and shall have access to the Company's records and documents and may request clarifications or statements from Directors or members of executive management. It may also request the Board to invite the Company's General Assembly to convene if its business is hindered by the Board of Directors or if the Company suffers serious damage or loss.

The Audit Committee shall review the Company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon, if any. The committee shall also prepare a report of its opinion on the efficiency of the Company's internal control system and any other activities falling within its powers. The Board of Directors shall place a sufficient number of copies of such report at the head office of the Company at least twenty-one (21) days prior to the date set for convening the General Assembly in order to provide any Shareholder with a copy thereof. The auditor's report shall be read at the General Assembly meeting.

12.15.38 The Auditor

The Company shall have one (or more) auditor(s) from among those licensed to operate in the Kingdom appointed by the Ordinary General Assembly, which shall specify their compensation and term. The Ordinary General Assembly may re-appoint the auditor provided that the total appointment term does not exceed the term limit as specified in the Companies Law. The Ordinary General Assembly may at any time remove the auditors, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

The external auditor(s) shall have access, at all times, to the Company's books, records and any other documents, and may request information and clarification as it deems necessary to verify Company's assets and liabilities. The Chairman shall enable the auditor to perform its duties. The auditor shall report to the Board of Directors any difficulties encountered in the performance of its duties. If the Board of Directors fails to facilitate the auditor's work, the auditor shall request the Board of Directors to invite the Ordinary General Assembly to consider the matter.

12.15.39 Financial Year

The Company's financial year shall begin on 1 January and end on the 31 December of each Gregorian year. The first financial year after conversion shall start from the date of its registration in the commercial register as a mixed joint stock company and end on 31 December of the following Gregorian year.

12.15.40 Financial Documents

The Board of Directors shall prepare the Company's financial statements at the end of each financial year together with a report of its business and financial position for the preceding financial year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposition of the auditor within the required period as specified in the Companies Law.

The Chairman, the CEO and the CFO shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed in the Company's head office at the disposition of the Shareholders at least twenty-one (21) days prior to the General Assembly meeting.

The Chairman shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the auditor's report unless these reports are published in a daily newspaper that is distributed in the locality of the head office of the Company. In addition, the Chairman shall send a copy of these documents to the Ministry of Commerce within the required period as specified in the Companies Law.

12.15.41 Distribution of Dividends

The Company's annual net profits shall be allocated as follows:

- ten per cent. (10.0%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserves amount to thirty per cent. (30.0%) of Company's capital;
- the Ordinary General Assembly may, upon a recommendation of the Board of Directors, set aside ten per cent. (10.0%) of the annual net profits to form a consensual reserve allocated to support the financial position of the Company;
- the Ordinary General Assembly may resolve to form other reserves, to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders; and
- a certain percentage of the remaining balance of annual net profits shall be distributed to the Shareholders as per a resolution by the Ordinary General Assembly, and in accordance with the provisions of the Companies Law.

Subject to the provisions of these Bylaws and Article 76 of the Companies Law, up to ten per cent. (10.0%) of the balance of the profits may be allocated in remuneration for Directors, after distributions required under the foregoing provisions, if their remuneration is determined as a percentage of the Company's net profits, provided that such remuneration is in proportion to the number of meetings attended by every Director.

The Company may distribute interim dividends on a quarterly or a semi-annual basis, and the Ordinary General Assembly may authorise the Board of Directors to distribute such dividends pursuant to a written resolution renewed annually, in accordance with the Applicable Law.

12.15.42 Entitlement to Dividends

Shareholders shall be entitled to their share of dividends pursuant to the General Assembly resolution adopted in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered in the Shareholders' register shall be entitled to their share of dividends at the end of the entitlement date.

12.15.43 Company's Losses

If the Company's losses amount to half (50.0 per cent.) of the paid-up capital at any time during the financial year, any officer of the Company or the auditor shall notify the Chairman immediately upon becoming aware of such losses, who in turn shall immediately notify the Board of Directors. Subject to the specified periods in the Companies Law regarding the Board of Director being aware of the losses and the Extraordinary General Assembly, the Board of Directors shall send an invite to convene an Extraordinary General Assembly meeting, to either resolve to increase or decrease the Company's capital in accordance with the Companies Law to the extent that the losses decrease to less than half (50.0 per cent.) of the paid-up capital, or to dissolve the Company before the expiry of its term according to the provisions of these Bylaws.

The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly: (i) does not convene within the period prescribed in paragraph (1) of this Article; or (ii) convenes but is unable to adopt a resolution on this matter, or approves increasing the Company's capital in accordance with this Article and the increase is not fully subscribed to within ninety (90) days from the date of the capital increase resolution.

12.15.44 Disputes

Each Shareholder shall have the right to file a liability action, vested in the Company, against the Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of the intention to file such action.

The Company shall indemnify its Directors, the members of the Audit Committee and officers for all costs and expenses reasonably incurred or paid in respect of any claim or judicial proceedings filed against them as a result of their behaviour or services in their capacity as Directors, members of the Audit Committee or officers. However, this indemnification does not extend to matters where it is determined that a Director, member of the Audit Committee or an officer is found to be liable due to negligence or misconduct while carrying out their duties.

12.15.45 Dissolution and Winding up of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The resolution for voluntary liquidation may only be adopted by the Extraordinary General Assembly. The liquidation resolution shall appoint a liquidator and determine its powers, fees, restrictions in powers and the period required for the liquidation process, provided that the period for voluntary liquidation period shall not exceed five (5) years and may not be extended without a judicial order. The authority of the Board of Directors shall cease upon the Company's approval of its liquidation, provided, however, that the Board of Directors shall remain responsible for the management of the Company and shall be deemed liquidator vis-à-vis third parties until the liquidators are appointed. The General Assembly shall continue to exist during the liquidation period and shall exercise its powers to the extent it does not conflict with the powers of the liquidator.

12.16 Share Description

12.16.1 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.16.2 Repurchase of Shares

According to Article 112 of the Companies Law, which stipulates that a company may buy its shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not entitle it to votes in the Shareholders' assemblies.

12.16.3 Rights of Ordinary Shareholders

Pursuant to Article 110 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be binding in this regard.

12.16.4 Voting Rights

A General Assembly duly convened shall be deemed to represent all the Shareholders and shall be held in the city where the Company's Head Office is located. Each Subscriber, regardless of the number of his shares, shall have the right to attend the Constituent Assembly, whether in person or by proxy.

Each Shareholder shall have a vote for every Share represented by him in the constituent General Assembly, and each Shareholder shall have a vote for every share represented by him in the General Assemblies. The cumulative voting method shall be used in electing the Directors in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

12.16.5 Amendment to the Rights of Shareholders

Shareholders' rights relating to receiving a share of the dividends to be distributed, receiving a share of the Company's surplus assets upon liquidation, attending the General Assemblies, participating in its deliberations, voting on its resolutions, disposing of Shares, requesting access to the Company's books and documents, monitoring the work of the Board of Directors, filing a claim of responsibility against the Directors, and challenging the validity of the resolutions of the General Assembly (under the conditions and restrictions set out in the Companies Law and the Bylaws) are granted under the Companies Law and therefore may not be amended.

12.17 Representations Related to Legal Information

The Directors declare the following:

- the issue does not violate the relevant laws and regulations of the Kingdom;
- the issue does not violate any of the contracts or agreements to which the Company is a party;
- all material legal information relating to the Company has been disclosed in the Prospectus;
- except as disclosed in Section 12.14 (*Litigation*), the Company and the Subsidiary are not parties to any existing disputes, or legal procedures that may jointly and severally have a material impact on the Company's or the Subsidiary's operations or financial position; and
- the Company's Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's or the Subsidiary's business or financial position.

13. UNDERWRITING

The Underwriters (namely, HSBC Saudi Arabia, SNB Capital Company and Goldman Sachs Saudi Arabia) have undertaken to fully underwrite the Offering of twenty-six million seven hundred thousand (26,700,000) Offer Shares pursuant to an underwriting agreement (the "**Underwriting Agreement**") entered into with the Company and the Selling Shareholders dated 15 Rabi' al-Awwal 1444H (corresponding to 11 October 2022G), subject to certain conditions stipulated in the Underwriting Agreement. The name and address of each Underwriter are set out below:

13.1 Underwriters

HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al-Murooj P.O. Box 2255, Riyadh 12283 Kingdom of Saudi Arabia Tel: + 966 (92) 000 5920 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com E-mail: ArabianDrillingIPO@hsbcsa.com
SNB Capital Company King Saud Road, SNB Regional Building. P. O. Box 2216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 (11) 874 7106 Fax: +966 (11) 406 0052 Website: www.alahlicapital.com E-mail: SNBC.cm@alahlicapital.com
Goldman Sachs Saudi Arabia Kingdom Tower 25th Floor P.O. Box: 52969 Olaya Street Riyadh 11573 Kingdom of Saudi Arabia Fax: +966 (11) 279 4807 Tel: +966 (11) 279 4800 Website: www.goldmansachs.com/worldwide/sa E-mail: gssainfo@gs.com

The principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

a- The Company and the Selling Shareholders undertake to the Underwriters that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:

  i- issue and sell, as applicable, as well as allocate the Offer Shares to any Individual Investor or Participating Party whose application for Offer Shares has been accepted by the Receiving Agents; and

  ii- issue and sell, as applicable, as well as allocate to the Underwriters the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.

b- The Underwriters undertake to the Company and the Selling Shareholders that at the date of allocation, they will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as stated below:

Table (13.1): Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten [1]
HSBC Saudi Arabia	8,900,000	33.33%
Goldman Sachs Saudi Arabia	8,900,000	33.33%
SNB Capital Company	8,900,000	33.33%

source: The Company.

[1] Percentages are rounded.

The Company and Selling Shareholders have committed to satisfy all the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Company and the Selling Shareholders will pay to the Underwriters an underwriting fee based on the total value of the Offering. Moreover, the Company and the Selling Shareholders have agreed to pay the Underwriters' costs and expenses in connection with the Offering.

14. EXPENSES

The costs and expenses associated with the Offering are estimated at approximately SAR 77,000,000. This figure includes the fees of Joint Financial Advisors, the Joint Global Co-ordinators, the Lead Manager, the Local Co-ordinator, the Bookrunners, the Underwriters, the Legal Advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering expenses will be deducted from the Offering Proceeds and will be apportioned to the Selling Shareholders and the Company on a pro rata basis according to the number of Offer Shares being sold by each one of them.

15. UNDERTAKINGS FOLLOWING ADMISSION

Following the Admission, the Company undertakes to:

a- complete Form 8 (relating to compliance with the Corporate Governance Regulations) and, in the event the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;

b- provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative thereof may attend;

c- submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations), provided that the interested Director shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 12.11 (*Related Party Contracts and Transactions*);

d- disclose material developments related to the Company and projects set out in Section 4.6 (*Future Plans and Initiatives*);

e- comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules and the Corporate Governance Regulations immediately upon Admission; and

f- commit to start the necessary procedures to elect two independent members in the two vacant seats of the Company's Board of Directors to complete its current term and comply with the requirements stipulated in the Corporate Governance Regulations by following the following steps:

#	Event	Details	Schedule
1	Admission of the Company's Shares	-	Admission date (six months as of the date of the CMA's approval of the Offering)
2	Announcement of nomination opening	The Company will publish the Board membership nomination announcement on the websites of the Company and the Exchange to invite those interested in being nominated for Board membership	Within 30 days from the Admission date, provided that the nomination period shall remain open for at least a month from the date of the announcement.
3	Acceptance of candidacy applications	The Company receives all applications for nomination from any qualified person.	Within the nomination period (at least one month before the date of the announcement)
4	Examination of candidacy applications and CVs of candidates	The Nomination and Remuneration Committee shall examine the applications submitted in the light of the provisions of the Corporate Regulations, the CMA regulations and the internal Corporate Governance Manual of the Company, and provide its recommendations to the Board of Directors for submission to the General Assembly.	During the nomination period
5	Invitation to convene a General Assembly	The General Assembly of the Company will be invited to vote on the election of two independent members of the two vacant seats on the Company's Board of Directors to complete its current term.	Within a period not exceeding ten business days from the end of the nomination period.
6	The convening of the General Assembly	The General Assembly will be convened at least 21 days after the date of invitation in accordance with the relevant regulations, instructions and procedures, which include electronic voting procedures.	At least 21 days before the General Assembly Invitation.

Similarly, following the Admission, the Directors undertake to:

a- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and

b- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16. WAIVERS

Due to the unavailability of the Company's articles of association and bylaws, and amendments thereto, from its initial incorporation as a joint stock company in 1969G and until 1999G, the Company submitted a waiver request to the CMA in connection with the requirements of both Article 28(a)(13) of the Rules on the Offer of Securities and Continuing Obligations, which require a copy of the issuer's articles of association and bylaws and all amendments thereto to be submitted to CMA as part of an application for registration and offer of securities, and Section 25(1) of Annex 9 of the Rules on the Offer of Securities and Continuing Obligations, which require the bylaws and other constitutional documents of the issuer to be made available for public inspection, for the purpose of satisfying the requirements for the contents of a prospectus for the offer of shares. The CMA approved the Company's application on the Offering on 30 Thul-Qi'dah 1443H (corresponding to 29 June 2022G).

17. SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Shares under the Rules on the Offer of Securities and Continuing Obligations, and an application for listing of the Shares on the Exchange in accordance with the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Bookrunner or Receiving Agent, as applicable, is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of twenty-six million seven hundred thousand (26,700,000) Shares consisting of: (i) the sale of seventeen million seven hundred thousand (17,700,000) Sale Shares; and (ii) the issue of nine million (9,000,000) New Shares, and at an Offer Price of SAR 100 per Share. The Offer Shares represent 30.0 per cent. of the Company's capital with a total value of 2,670,000,000. The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of Investors:

Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other Foreign Investors pursuant to swap agreements. Participating Entities will provisionally be allocated twenty-six million seven hundred thousand (26,700,000) Offer Shares, representing 100.0 per cent. of Offer Shares. The final allocation for the Participating Entities will be made upon the expiry of Individual Investors' subscription period, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. If there is sufficient demand by Individual Investors, the Bookrunners shall have the right to reduce the previously allocated Offer Shares to Participating Entities to twenty-four million thirty thousand (24,030,000) Offer Shares, representing 90.0 per cent. of the total Offer Shares.

Tranche (B): Individual Investors

Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and having the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million six hundred and seventy thousand (2,670,000) Offer Shares, representing ten per cent. of the total Offer Shares shall be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunners may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

17.2 Book-Building and Subscription by Participating Parties

a- The Company, the Selling Shareholders and the Joint Financial Advisors determine the price range for the purposes of book-building, which will be made available to all Participating Parties, without any restriction.

b- Each of the Participating Parties shall submit a Bidding Participation Application during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building period, provided that such change shall be made by submitting an amended or additional Bidding Participation Application, where applicable, prior to the conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than one hundred thousand (100,000) Offer Shares nor more than four million, four hundred and forty-nine thousand, nine hundred and ninety-nine (4,449,999) Offer Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunners will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the subscription terms and conditions detailed in the Subscription Application Forms.

c- After book-building for the Participating Entities is completed, the Bookrunners will announce the coverage percentage for the Participating Entities.

d- The Bookrunners and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement and provided that the Offer Price is in accordance with the tick size applied by Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Ordinary Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors can subscribe through the Internet, banking telephone or ATMs of any of the Receiving Agents that offer any or all such services to its customers, provided that, the following requirements are satisfied:

a- the Individual Investor shall have a bank account at a Receiving Agent, which offers such services;

b- there should have been no changes in the personal information or data of the Individual Investor since his subscription in a recent initial public offering; and

c- the Individual Investors who are not Saudi or GCC natural persons must have an account at one of the Capital Market Institutions which offer such services.

A signed Subscription Application Form represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting the application to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus from the websites of the Company (www.arabdrill.com), the CMA (www.cma.org.sa) or the Joint Financial Advisors (www.hsbcsaudi.com), (www.alahlicapital.com) and (www.goldmansachs.com/worldwide/saudi-arabia/), and the Subscription Application Forms from the websites of the following Receiving Agents providing such service:

The Saudi National Bank
King Fahd Road - Al-Aqiq District - King Abdullah Financial District
P.O. Box: 3208 Unit No.: 778
Kingdom
Tel: +966 (92) 0001000
Fax: +966 (11) 4060052
Website: www.alahli.com
E-mail: contactus@alahli.com

Al-Rajhi Bank
King Fahd Road - Al-Morouj District - Al-Rajhi Bank Tower
P.O. Box: 28, Riyadh 11411
Kingdom
Tel: +966 11 2116000
Fax: +966 11 4600705
Website: www.alrajhibank.com.sa
E-mail: contactcentre1@alrajhibank.com.sa

Riyad Bank
Eastern Ring Road
P.O. Box: 22622
Riyadh 11614
Kingdom
Tel: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
E-mail: customercare@riyadbank.com

The Receiving Agents will commence receiving Subscription Application Forms through the internet, telephone banking, ATMs, or other electronic channels of any of the Receiving Agents that offer any or all such services to its customers, beginning on Tuesday, 22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G), and ending at 5:00 pm on Wednesday, 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form (if applicable). If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 100 per Offer Share.

Subscriptions by Individual Investors for less than 10 Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is 250,000 Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- a- the original and copy of the Individual Investor's national civil identification card (in case of individuals, including Saudi and other GCC natural persons);
- b- the original and copy of the family civil identification card (when subscribing on behalf of family members);
- c- the original and copy of a power of attorney (when subscribing on behalf of others);
- d- the original and copy of certificate of guardianship (when subscribing on behalf of orphans);
- e- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- f- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- g- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied by a valid original and a copy of the power of attorney. The power of attorney must be notarised by a notary public for the Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- a- all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
- b- the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and
- c- the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- a- the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
- b- dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; or
- c- the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If the primary Individual Investor subscribes for himself and his family members who are registered in the family identification card, and a family member subscribes for a separate subscription application, only the request of the family member who has submitted a separate application from the request of the primary Individual Investor will be cancelled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 100 per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

a- delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents; and

b- payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full to the Receiving Agents by authorising a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted. The Offer Shares ownership transfer will be valid only from the time such transfer is recorded in the Company's share register and the Shares have commenced trading on the Exchange.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Each of the Receiving Agents shall deposit all amounts received from the Subscribers into the escrow accounts, the details of which account shall be specified in the Subscription Application Forms.

The Lead Manager and Receiving Agents, as applicable, will send notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation will be no later than 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G) and refunds process shall be made no later than 2 Rabi' al-Thani 1444H (corresponding to 27 October 2022G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xviii), and Section 17 (*Subscription Terms and Conditions*)). Subscribing Individual Investors should communicate with the Lead Manager or the Receiving Agent where they submitted their Subscription Application Form, as applicable, for any further information.

17.5 Allocation of Offer Shares to Participating Entities

After completion of the allocation of the Offer Shares to Individual Investors, final allocation of the Offer Shares to the Participating Entities will be made as the Bookrunners deem appropriate, in coordination with the Company, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. The number of Offer Shares to be initially allocated to the Participating Entities is twenty-six million seven hundred thousand (26,700,000) ordinary Shares, representing 100.0 per cent. of the Offer Shares. If the Individual Investors subscribe to the Offer Shares allocated thereto, the Bookrunners shall have the right to reduce the number of Offer Shares allocated to the Participating Entities to twenty-four million thirty thousand (24,030,000) ordinary Shares, representing 90.0 per cent. of the Offer Shares after the completion of the Individual Investors' subscription process.

17.5.1 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of two million six hundred and seventy thousand (2,670,000) Offer Shares, representing 10.0 per cent. of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is 10 Offer Shares and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the percentage applied for by each individual investor to the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds two hundred and sixty-seven thousand (267,000) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents.

17.6 Circumstances Where Trading and Listing May be Suspended or Cancelled

17.6.1 Power to Suspend Trading or Cancel Listing

a- The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:
   i- the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
   ii- the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;
   iii- the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;
   iv- if it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;
   v- when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;
   vi- when information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;
   vii- when an application for financial restructuring of the issuer in case of its accumulated losses reaching 50.0 per cent. or more of its capital is registered with the court under the Bankruptcy Law;
   viii- when the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;
   ix- upon issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law; or
   x- upon issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law.

b- Lifting of trading suspension under paragraph (a) above is subject to the following:
   i- the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
   ii- that lifting the suspension is unlikely to affect the normal activity of the Exchange;
   iii- the issuer complies with any other conditions that the CMA may require;
   iv- upon issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((vii)) above; and
   v- upon issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((viii)) above.

c- The Exchange shall suspend the trading of securities of the Company in any of the following cases:
   i- when the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations;
   ii- when the external auditor's report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion;
   iii- if the liquidity requirements in Part 2 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or
   iv- upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for the two trading days following the issuance of such resolution.

d- The Exchange removes the suspension referred to in subparagraphs ((i)) and ((ii)) of paragraph (c) above, after one trading session has passed after the cause of suspension ceases to exist. In case that the issuer's shares are available for trading outside the platform, the Exchange removes the suspension within a period of not more than five trading sessions after the cause of suspension ceases to exist.

e- The Exchange may at any time propose to CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) above are to occur.

f- The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

g- If the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, CMA may cancel the listing of issuer.

h- Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

i- This paragraph shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to relevant implementing regulations of the CML and Listing Rules.

17.6.2 Voluntary Cancellation of Listing

a- After its shares have been listed on the Exchange, an issuer may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must provide the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application has to include the following:

i- specific reasons for the request for cancellation;

ii- a copy of the disclosure described in paragraph (d) below;

iii- a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer; and

iv- names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

b- The CMA may, at its discretion, approve or reject the cancellation request.

c- The issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA approval.

d- Where cancellation is made at the issuer's request, it must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

17.6.3 Temporary Trading Suspension

a- An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that issuer immediately upon receiving such request.

b- When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.

c- The CMA may impose a temporary trading suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and Listing Rules.

d- The Exchange may propose to the CMA to exercise its powers in accordance with paragraph (c) above, if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or the protection of investors.

e- A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (b) above in this Section, unless the CMA or the Exchange decided otherwise.

17.6.4 Re-Registering and Listing After Cancellation of Listing

After cancellation of listing of an issuer's securities, the issuer must submit new applications in accordance with the procedures set out in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules if it wishes to re-list such securities.

17.7 Approvals and Decisions under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

a- the Company's Board of Directors' resolution recommending the capital increase and the Offering issued on 21 Thul-Qi'dah 1443H (corresponding to 20 June 2022G);

b- the Company's General Assembly's approval of the increase of the Company's capital and of the Offering, dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G);

c- the CMA's approval on Shares Offering issued on 30 Thul-Qi'dah 1443H (corresponding to 29 June 2022G); and

d- the conditional approval of Tadawul to list the Shares, dated 28 Thul-Qi'dah 1443H (corresponding to 27 June 2022G).

17.8 Lock-up Period

The Substantial Shareholders specified in Table 4.19 (Details of Shareholders Directly Holding Five Per Cent. or More of the Ordinary Shares in the Company as of the Date of this Prospectus) may not dispose of any of their Shares for a period of six (6) months from the date on which trading of the Shares commences on the Exchange.

17.9 Acknowledgments and Declarations by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

a- agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

b- warrants that he/she has read this Prospectus and understood all its content;

c- accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

d- declares that neither himself nor any of his family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

e- accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form;

f- warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agent or any of the Joint Financial Advisors, as applicable; and

g- retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in this Prospectus, or by omitting major information that should have been part of this Prospectus and could affect his/her decision to purchase the Shares.

For further details on the allocation process, see Section 17.4 (*Allocation and Refunds*).

17.10 Shares' Record and Trading Arrangements

Tadawul shall keep a Shareholders' Register containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.11 Saudi Exchange (Tadawul)

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. Such times change during the month of Ramadan and they are announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the "Tadawul" website and "Tadawul" Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.12 Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28 Muharram 1437H (corresponding to 10 November 2015G), with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is fully owned by the Exchange.

The establishment was based on CMA approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (2 July 2003G).

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organises issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with CML and its implementing regulations.

17.13 Trading of Company's Shares

Trading of the Shares is expected to commence on Tadawul after finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following the Admission, Saudi natural persons, non-Saudi natural persons holding valid residency permits in the Kingdom, GCC natural persons, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules. Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with Capital Market Institutions to acquire, hold and trade in the Shares on the Exchange on behalf of such Foreign Investor. Capital Market Institutions shall be deemed the legal owners of the Shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Main Market and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.14 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of their parties and their respective successors, permitted assigns, executors, administrators and heirs; provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investor, foreign strategic investors and/or certain other Foreign Investors through swap agreements, taking into account the relevant rules and instructions. This category will be subscribed outside the United States in offshore transactions in accordance with Regulation S issued under the Securities Act. The Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Offer Shares being offered through this Prospectus may not be offered or sold within the United States and may be offered and sold only in transactions that are exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction other than the Kingdom. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (i) that there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations or the Listing Rules; or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office on Prince Sultan Road, Aljawharah District, P.O. Box 4110, Al Khobar 31952, Kingdom of Saudi Arabia, between 9:00 a.m. and 5:00 p.m. from Monday, 23 Safar 1444H (corresponding to 19 September 2022G) until Wednesday, 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G) for a period of not less than 20 days prior to the end of the Offering Period:

- the CMA's announcement approving the Offering;
- the Tadawul approval on the Admission;
- the Company's General Assembly's approval of the increase of the Company's capital and of the Offering, dated 22 Thul-Qi'dah 1443H (corresponding to 21 June 2022G;
- the Company's Bylaws and the amendments made thereto;
- the Company's (and the Subsidiary) articles of association, and the amendments made thereto;
- the Company's (and the Subsidiary) commercial registration certificate issued by the Ministry of Commerce;
- the Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the Company's unaudited condensed consolidated interim financial information for the six months period ended 30 June 2022G;
- the Market Study Report prepared by the Market Consultant;
- all other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
- contracts and agreements disclosed in Section 12.11 (*Related Party Contracts and Transactions*); and
- letters of consent from each of:

  a- the Financial Advisor, Bookrunner, Underwriter, Joint Global Co-ordinator and Lead Manager (HSBC Saudi Arabia) for the inclusion of its name, logo, and statements in this Prospectus;

  b- the Financial Advisor, Bookrunner, Underwriter and Local Co-ordinator (SNB Capital Company) for the inclusion of its name, logo, and statements in this Prospectus;

  c- the Financial Advisor, Bookrunner, Underwriter and Joint Global Co-ordinator (Goldman Sachs Saudi Arabia) for the inclusion of its name, logo, and statements in this Prospectus;

  d- the Auditors (PricewaterhouseCoopers Certified Public Accountants) for the inclusion herein of their name and logo, along with the audit reports on the audited consolidated financial statements of the Company for the financial years ended 31 December 2019G, 2020G and 2021G;

  e- the Financial Due Diligence Advisor (Ernst & Young & Co. (Certified Public Accountants)) for the inclusion of its name, logo and statements in this Prospectus;

  f- the Market Consultant (Rystad Energy AS) for the inclusion of its name, logo and statements, in this Prospectus; and

  g- the legal advisors ((i) Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation; (ii) Sullivan & Cromwell LLP; (iii) Abdul Aziz AlAjlan & Co., Attorneys and Legal Advisors; and (iv) Baker & McKenzie LLP), for the inclusion of their names, logos and statements, in this Prospectus;

- the Underwriting Agreement;
- document containing the mechanism that was relied upon to arrive at the price range used in the book-building process or the valuation report; and
- document containing certain forward-looking statements in relation to the expected financial performance of the Company in the future.

19. FINANCIAL STATEMENTS AND AUDITORS' REPORT

This Section contains the audited consolidated financial statements of the Company for the financial years ended 31 December 2019G, 2020G and 2021G, which have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and audited by the Auditors, as stated in the Auditors' report with respect thereto included elsewhere in this Prospectus, and the Company's unaudited condensed consolidated interim financial information for the six month period ended 30 June 2022G, which has been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and reviewed by PricewaterhouseCoopers Certified Public Accountants in their capacity as the Company's independent practitioners for the six month period ended 30 June 2022G, as stated in the practitioners report with respect thereto included elsewhere in this Prospectus.

ARABIAN DRILLING COMPANY
(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND INDEPENDENT AUDITOR'S REPORT

ARABIAN DRILLING COMPANY
(A limited liability company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Independent auditor's report to the shareholders of Arabian Drilling Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabian Drilling Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, 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 i.e. the Audit Committee, is responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

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.

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 scepticism 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.

PricewaterhouseCoopers

Ashraf M. Al-Zamzami
License number 587

19 April 2020

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2019	2018
Revenue	4	**2,814,276,018**	2,453,680,651
Cost of revenue	5	**(2,256,105,185)**	(1,879,665,184)
Impairment losses	8, 14	**(19,270,462)**	(277,653,789)
Gross profit		**538,900,371**	296,361,678
Impairment losses on financial assets	12	**(17,145,265)**	(12,031,489)
General and administrative expenses	6	**(139,122,062)**	(113,974,756)
Other operating (loss) income - net		**(2,425,371)**	4,501,730
Operating profit		**380,207,673**	174,857,163
Financial costs	7	**(100,825,010)**	(66,037,402)
Financial income		**-**	173,542
Financial costs - net		**(100,825,010)**	(65,863,860)
Profit before zakat and income tax		**279,382,663**	108,993,303
Zakat expense	23	**(8,565,847)**	(10,697,286)
Income tax expense	23	**(40,397,020)**	(5,709,466)
Profit for the year		**230,419,796**	92,586,551
Other comprehensive (loss) income			
Item that may be reclassified to profit or loss			
Fair value changes in cash flow hedge	19	**(17,356,036)**	7,555,559
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	21	**13,326,442**	5,659,409
Impact of deferred tax	23	**(1,368,092)**	(545,578)
		11,958,350	5,113,831
Other comprehensive (loss) income for the year		**(5,397,686)**	12,669,390
Total comprehensive income for the year		**225,022,110**	105,255,941

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2019	2018
Assets			
Non-current assets			
Property and equipment	8	**5,799,453,807**	5,880,905,552
Intangible assets	9	**16,882,989**	19,674,999
Right-of-use assets	10	**7,717,497**	-
Mobilization cost	4	**22,457,576**	46,444,304
Fair value of cash flow hedge	19	**-**	4,256,814
Total non-current assets		**5,846,511,869**	5,951,281,669
Current assets			
Inventories	11	**167,256,887**	162,763,974
Trade and other receivables	12	**1,041,709,721**	945,942,948
Mobilization cost	4	**38,783,536**	44,987,618
Cash and cash equivalents	13	**221,272,841**	78,839,725
		1,469,022,985	1,232,534,265
Non-current assets held for sale	14	**11,036,625**	-
Total current assets		**1,480,059,610**	1,232,534,265
Total assets		**7,326,571,479**	7,183,815,934
Equity and liabilities			
Equity			
Share capital	15	**22,580,000**	22,580,000
Additional paid-in capital	16	**97,420,800**	97,420,800
Statutory reserve	17	**18,883,921**	18,883,921
Fair value of cash flow hedge	19	**(13,099,222)**	4,256,814
Retained earnings		**3,500,913,620**	3,298,439,505
Total equity		**3,626,699,119**	3,441,581,040
Liabilities			
Non-current liabilities			
Long-term murabaha borrowings	20	**1,735,479,305**	1,920,731,704
Lease liabilities	10	**4,777,821**	-
Employee benefit obligations	21	**247,625,526**	242,183,957
Mobilization revenue	4	**38,975,356**	73,490,866
Deferred tax liability	23	**153,500,764**	113,007,494
Trade payable	22	**16,000,801**	19,484,134
Fair value of cash flow hedge	19	**13,099,222**	-
Total non-current liabilities		**2,209,458,795**	2,368,898,155

(continued)

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	**2019**	**2018**
Current liabilities			
Trade and other payables	22	**622,383,097**	639,772,923
Current portion of long-term murabaha borrowings	20	**794,065,054**	647,015,975
Current portion of lease liabilities	10	**2,947,177**	-
Mobilization revenue	4	**62,470,450**	75,850,555
Zakat payable	23	**8,547,787**	10,697,286
Total current liabilities		**1,490,413,565**	1,373,336,739
Total liabilities		**3,699,872,360**	3,742,234,894
Total equity and liabilities		**7,326,571,479**	7,183,815,934

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Industrialization and Energy Services Company - TAQA ("TAQA")	Services Petroliers Schlumberger S.A. ("SPS")	Total
Share capital				
31 December 2019 and 2018	15	11,515,800	11,064,200	**22,580,000**
Additional paid-in capital				
31 December 2019 and 2018	16	49,684,608	47,736,192	**97,420,800**
Statutory reserve				
31 December 2019 and 2018	17	9,630,800	9,253,121	**18,883,921**
Fair value of cash flow hedge				
1 January 2018		(1,682,360)	(1,616,385)	(3,298,745)
Fair value changes		3,853,335	3,702,224	7,555,559
31 December 2018	19	2,170,975	2,085,839	4,256,814
Fair value changes		(8,851,578)	(8,504,458)	**(17,356,036)**
31 December 2019	19	(6,680,603)	(6,418,619)	**(13,099,222)**
Retained earnings				
1 January 2018		1,722,223,997	1,551,243,409	3,273,467,406
Profit before zakat and income tax		55,586,585	53,406,718	108,993,303
Zakat and income tax	23	(10,955,963)	(5,450,789)	(16,406,752)
Profit for the year		44,630,622	47,955,929	92,586,551
Zakat and income tax reimbursable by shareholders		10,398,555	6,334,251	16,732,806
Gain on remeasurements of employee benefit obligations, net of deferred tax		2,861,581	2,252,250	5,113,831
Dividends	18	(45,625,155)	(43,835,934)	(89,461,089)
31 December 2018		1,734,489,600	1,563,949,905	3,298,439,505
Profit before zakat and income tax		142,485,158	136,897,505	**279,382,663**
Zakat and income tax	23	(10,396,108)	(38,566,759)	**(48,962,867)**
Profit for the year		132,089,050	98,330,746	**230,419,796**
Zakat and income tax reimbursable by shareholders		8,119,681	964,032	**9,083,713**
Gain on remeasurements of employee benefit obligations, net of deferred tax		6,734,501	5,223,849	**11,958,350**
Dividends	18	(24,983,749)	(24,003,995)	**(48,987,744)**
31 December 2019		1,856,449,083	1,644,464,537	**3,500,913,620**
31 December 2019		**1,920,599,688**	**1,706,099,431**	**3,626,699,119**
31 December 2018		1,807,491,783	1,634,089,257	3,441,581,040

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2019	2018
Cash flows from operating activities			
Profit before zakat and income tax		**279,382,663**	108,993,303
Adjustments for:			
Depreciation	8, 10	**620,148,619**	566,726,744
Amortization	9	**5,451,026**	1,836,612
Impairment losses	8, 14	**19,270,462**	277,653,789
Provision for slow-moving inventories	11	**9,532,895**	3,567,105
Allowance for Expected Credit Losses ("ECL")	12	**17,145,265**	12,031,489
Provision for employee benefit obligations	21	**37,741,801**	31,328,912
Loss (gain) on disposal of property and equipment		**1,621,838**	(4,703,191)
Amortization of mobilization cost	4	**51,422,626**	44,332,756
Amortization of mobilization revenue	4	**(81,645,615)**	(97,792,687)
Financial costs	7	**100,825,010**	66,037,402
Financial income		**-**	(173,542)
Changes in working capital:			
Increase in inventories		**(14,025,808)**	(32,151,998)
Increase in trade and other receivables		**(122,224,576)**	(282,855,657)
(Decrease) increase in trade and other payables		**(12,340,622)**	349,349,538
Cash generated from operations		**912,305,584**	1,044,180,575
Mobilization cost paid	4	**(21,231,816)**	(73,203,090)
Mobilization revenue received	4	**33,750,000**	113,256,714
Zakat and income tax paid	23	**(16,463,635)**	(29,663,103)
Employee benefit obligations paid	21	**(18,973,790)**	(1,454,391)
Financial costs paid		**(94,817,597)**	(67,617,191)
Financial income received		**-**	173,542
Net cash inflow from operating activities		**794,568,746**	985,673,056
Cash flows from investing activities			
Payments for purchase of property and equipment	8	**(568,030,738)**	(2,038,284,844)
Proceeds from disposal of property and equipment		**-**	4,742,566
Payments for purchase of intangible assets	9	**(2,376,934)**	(6,775,222)
Murabaha deposits redeemed		**-**	175,099,167
Net cash outflow from investing activities		**(570,407,672)**	(1,865,218,333)
Cash flows from financing activities			
Dividends paid	18	**(34,729,075)**	(54,732,014)
Proceeds from long-term murabaha borrowings		**560,271,413**	1,183,000,000
Repayment of long-term murabaha borrowings		**(604,482,146)**	(476,567,662)
Principal element of lease payments		**(2,788,150)**	-
Net cash (outflow) inflow from financing activities		**(81,727,958)**	651,700,324
Net change in cash and cash equivalents		**142,433,116**	(227,844,953)
Cash and cash equivalents at beginning of year		**78,839,725**	306,684,678
Cash and cash equivalents at end of year	13	**221,272,841**	78,839,725

(continued)

ARABIAN DRILLING COMPANY
(A limited liability company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	**2019**	**2018**
Non-cash operating, investing and financing activities:			
Right-of-use assets recorded against lease liabilities	2.1	**10,513,148**	-
Prepaid lease rentals adjusted against right-of-use assets	2.1	**81,492**	-
Zakat and income tax reimbursable from shareholders		**9,083,713**	16,732,806
Purchase of property and equipment on credit		-	19,484,134

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the consolidated financial statements for the year ended 31 December 2019
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Arabian Drilling Company (the "Company" or "ADC") and its subsidiary (collectively the "Group") are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

The Company is a limited liability company licensed under foreign investment license number 2031047241 issued by The Ministry of Investment (previously Saudi Arabian General Investment Authority) on 18 Dhu-al-Hijja 1424 H (13 December 2003) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423 H (16 April 2002). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned Saudi Arabian subsidiary, Ofsat Arabia LLC ("Ofsat"). Ofsat is principally involved in rig hauling, operations, maintenance, rig moving and related activities.

The accompanying consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on 19 April 2020.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of consolidated financial statements of the Group are set out below.

2.1 Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

(b) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except for fair value of cash flow hedge, lease liabilities and employee benefit obligations as explained in the relevant accounting policies.

(c) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies as a result of adopting IFRS 16 - 'Leases' ("IFRS 16") effective 1 January 2019. The other standards did not have any impact on the Group's accounting policies and accordingly did not require any retrospective adjustments.
The impact of the adoption of IFRS 16 is disclosed below and the new accounting policies are disclosed in Note 2.9.

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IFRS 16

The Group has adopted IFRS 16 from 1 January 2019 but did not restate comparative information or adjust the opening equity as allowed by the transitional provisions of IFRS 16. Accordingly, the Group has recorded lease liabilities and right-of-use assets arising from the application of IFRS 16 in the statement of financial position at 1 January 2019 and right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made under the previously applicable accounting standards.

(ii) Reconciliation of operating lease commitments disclosed as at 31 December 2018 and lease liability recognized as at 1 January 2019:

	Saudi Riyals
Operating lease commitments disclosed as at 31 December 2018	**82,555,562**
Adjustments:	
Less: commitments against contracts not falling under the scope of IFRS 16	**(73,294,352)**
Add: adjustments as a result of a different treatment of extension options	**2,000,000**
Less: discounted using the Group's incremental borrowing rate of at the date of initial application	**(748,062)**
Lease liability recognized as at 1 January 2019	**10,513,148**
Current lease liabilities	**3,146,060**
Non-current lease liabilities	**7,367,088**
	10,513,148

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(iii) *Right-of-use assets*

The Group's right-of-use assets relate to a warehouse facility and vehicles. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the statement of financial position at 1 January 2019

The change in accounting policy affected the following items in the statement of financial position at 1 January 2019:

- Right-of-use assets - increased by Saudi Riyals 10.6 million.
- Trade and other receivable - decreased by Saudi Riyals 0.1 million (adjustment for prepaid rent).
- Lease liabilities - increased by Saudi Riyals 10.5 million.

(d) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

(a) Subsidiary

These consolidated financial statements comprise the financial statements of the Company and its subsidiary. 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:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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-off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if any. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

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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 and liabilities of the subsidiary;
- 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; and
- Reclassifies the parent's share of component previously recognised in other comprehensive income 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.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue from performance of services is recognized in the accounting period in which the services are rendered. The Group has concluded that it is the principal in its revenue arrangement since it is the prime obligor and is exposed to credit risk.

The Group recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on the following five step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

The Group has following revenue streams:

(a) Drilling revenue

Revenue against drilling services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

(b) Rig move revenue

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

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(c) Mobilization revenue and cost

Mobilization revenue represents fee for initial mobilization of rigs while mobilization cost represents the related costs incurred. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenue and mobilization cost are recognized as contract liabilities and contract assets, respectively, and are amortized over the term of the respective contracts with customers for drilling services.

(d) Manpower sub-contracting and other revenue

The Group sub-contracts its manpower to its customers based on pre-agreed unit rates. Revenue against such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the time sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The Group's cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in USD, management believes that USD is the currency with the most influence over the Group's operations. Accordingly, USD is considered to be the functional currency of the Group.

Management has elected to prepare these consolidated financial statements in Saudi Riyals which is the Group's presentation currency and believes that there is no translation impact on these consolidated financial statements since Saudi Riyal is pegged to USD.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2.5 Financial income

Financial income is measured using the effective interest rate method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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2.6 Zakat and income taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Group is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the consolidated statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Arabian Oil Company ("Saudi Aramco") are subject to the Saudi Arabian Income Tax Law of 2004. Consequently, the Group is also subject to income tax for the indirect shareholding of 2.33% of Saudi Aramco, being a shareholder in TAQA, which is charged to profit or loss and allocated to TAQA in the consolidated statement of changes in equity.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. The depreciation expense is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. Major spare parts and stand-by equipment qualify for recognition as property and equipment when the Group expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised as construction-in-progress. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of construction-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of construction-in-progress intended by management. Construction-in-progress is not depreciated.

2.8 Intangible assets

Intangible assets represent software cost and are amortized using straight-line method over their estimated useful life of seven years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

2.9 Leases

Accounting policy applied from 1 January 2019

At the inception of the contract the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

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To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

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Accounting policy applied until 31 December 2018

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The financial information presented as of and for the year ended 31 December 2018 does not reflect the requirements of IFRS 16 and is not comparable to the financial information presented as of and for the year ended 31 December 2019.

2.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

2.11 Financial instruments

2.11.1 Financial assets

(i) Classification

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and derecognition

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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(iii) Measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.11.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.11.3 Derivative financial instruments and hedge accounting

Derivatives are measured at fair value and any related transaction costs are recognised in profit or loss. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in a separate reserve shown under equity. The amount accumulated in equity is reclassified to profit or loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognized in profit or loss, within other operating income / (loss).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.11.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

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2.12 Impairment of financial and non-financial assets

2.12.1 Impairment of non-financial assets

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 asset's or cash-generating unit's 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 Cash Generating Unit's ("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 profit or loss in those expense categories consistent with the function of the impaired asset.

2.12.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For trade receivables and contract assets, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Group's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected rate of increase in inflation for the upcoming year in the Kingdom of Saudi Arabia as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due.

2.13 Inventories

Inventories principally represent spare parts and consumables, which are stated at cost. Spare parts and consumables are stated at cost. Cost is determined using the weighted average method. At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognised immediately in profit or loss.

2.14 Trade receivables

Trade receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

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2.15 Cash and cash equivalents

For the purpose of consolidated statement of financial position and presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

2.17 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.18 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

2.20 Employee benefit obligations

The Company and its subsidiary operate their respective single post-employment benefit schemes of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which are based on employee's most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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Current and past service costs related to post-employment benefits and unwinding of liability at discount rates used are recognized immediately in profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.21 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

(a) Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see Note 22.

(b) Impairment of property and equipment

Management, in accordance with the accounting policy stated in 2.12.1, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of services rendered by the Group;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected future cash inflows; and
- A current-period operating loss combined with a history and forecast of operating or cash flow losses.

Management determines the recoverable amount of the assets based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group. For further details on estimates used by the management to determine the recoverable amounts of the assets based on value-in-use calculations see Note 8.1.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group. Management has performed a sensitivity analysis around the estimates. Reasonably possible changes in discount and growth rates and forecasted market prices used may cause the carrying value to exceed the recoverable value of the assets resulting in additional impairment in future periods.

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4 Revenue

The Group has disaggregated revenue into various categories according to the nature of revenue earned.

4.1 Revenue streams

	Note	2019	2018
Drilling revenue		**2,230,817,715**	1,939,264,526
Rig move revenue		**436,288,837**	371,554,888
Mobilization revenue	4.2	**81,645,615**	97,792,687
Manpower sub-contracting and other revenue		**65,523,851**	45,068,550
		2,814,276,018	2,453,680,651

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year except for contractual retentions, and accordingly, the transaction prices are not adjusted for the time value of money. As per the contracts with the customers, there is no financing, non-cash consideration and consideration payable to customer involved in the transaction price.

4.2 Mobilization revenue

	2019	2018
Revenue		
1 January	**666,001,503**	552,744,789
Additions	**33,750,000**	113,256,714
31 December	**699,751,503**	666,001,503
Accumulated amortization		
1 January	**(516,660,082)**	(418,867,395)
Additions	**(81,645,615)**	(97,792,687)
31 December	**(598,305,697)**	(516,660,082)
	101,445,806	149,341,421
Mobilization revenue is presented in the accompanying consolidated statement of financial position as follows:		
Current portion presented under current liabilities	**62,470,450**	75,850,555
Non-current portion presented under non-current liabilities	**38,975,356**	73,490,866
	101,445,806	149,341,421

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4.3 Mobilization cost

	2019	2018
Cost		
1 January	**322,107,393**	248,904,303
Additions	**21,231,816**	73,203,090
31 December	**343,339,209**	322,107,393
Accumulated amortization		
1 January	**(230,675,471)**	(186,342,715)
Additions	**(51,422,626)**	(44,332,756)
31 December	**(282,098,097)**	(230,675,471)
	61,241,112	91,431,922
Mobilization cost are presented in the accompanying consolidated statements of financial position as follows:		
Current portion presented under current assets	**38,783,536**	44,987,618
Non-current portion presented under non-current assets	**22,457,576**	46,444,304
	61,241,112	91,431,922

5 Cost of revenue

	Note	2019	2018
Salaries, wages and benefits		**1,134,861,249**	941,334,735
Depreciation	8, 10	**612,764,789**	562,203,829
Repairs and maintenance		**209,565,011**	160,069,434
Rent		**199,829,526**	144,398,919
Mobilization cost	4.3	**51,422,626**	44,332,756
Rig move expense		**12,261,673**	7,221,807
Provision for slow-moving inventories	11	**9,532,895**	3,567,105
Other		**25,867,416**	16,536,599
		2,256,105,185	1,879,665,184

6 General and administrative expenses

	Note	2019	2018
Salaries and benefits		**89,367,608**	80,507,493
Professional services		**16,232,145**	9,408,395
Depreciation	8, 10	**7,383,830**	4,522,915
Amortization	9	**5,451,026**	1,836,612
Office supplies		**4,123,144**	3,240,757
Other		**16,564,309**	14,458,584
		139,122,062	113,974,756

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7 Financial costs

	Note	2019	2018
Financial costs on murabaha loans		**94,578,714**	79,273,598
Financial costs on derivatives		**2,465,251**	8,498,532
Financial costs on lease liabilities	10	**357,910**	-
Other financial costs		**3,423,135**	1,344,185
		100,825,010	89,116,315
Less: financial costs capitalized to property and equipment	8	-	(23,078,913)
		100,825,010	66,037,402

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8 Property and equipment

	1 January	Additions	Disposals / transfers	Impairment losses	31 December
2019					
Cost					
Land	88,236,250	-	-	-	**88,236,250**
Buildings and portable cabins	79,847,613	-	6,335,089	-	**86,182,702**
Rig, machinery and equipment	9,366,276,115	4,500,000	980,632,160	-	**10,351,408,275**
Furniture, fixtures and office equipment	91,421,854	74,930	14,470,451	-	**105,967,235**
Vehicles	158,485,443	1,437,500	(902,860)	-	**159,020,083**
Construction-in-progress	676,537,431	562,018,308	(1,045,121,181)	-	**193,434,558**
	10,460,804,706	568,030,738	(44,586,341)	-	**10,984,249,103**
Accumulated depreciation / impairment					
Buildings and portable cabins	(15,580,093)	(2,347,423)	-	-	**(17,927,516)**
Rig, machinery and equipment	(4,458,779,369)	(588,353,922)	11,451,524	-	**(5,035,681,767)**
Furniture, fixtures and office equipment	(41,398,720)	(6,318,640)	20,950	-	**(47,696,410)**
Vehicles	(64,140,972)	(20,251,491)	902,860	-	**(83,489,603)**
	(4,579,899,154)	(617,271,476)	12,375,334	-	**(5,184,795,296)**
Net book value	5,880,905,552				**5,799,453,807**

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	1 January	Additions	Disposals / transfers	Impairment losses	31 December
2018					
Cost					
Land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	78,104,773	391,500	1,351,340	-	79,847,613
Rig, machinery and equipment	7,775,653,567	72,113	1,590,550,435	-	9,366,276,115
Furniture, fixtures and office equipment	29,269,763	897,102	61,254,989	-	91,421,854
Vehicles	155,177,543	-	3,307,900	-	158,485,443
Construction-in-progress	280,458,383	2,056,408,263	(1,660,329,215)	-	676,537,431
	8,406,900,279	2,057,768,978	(3,864,551)	-	10,460,804,706
Accumulated depreciation / impairment					
Buildings and portable cabins	(14,002,385)	(1,577,708)	-	-	(15,580,093)
Rig, machinery and equipment	(3,666,689,651)	(515,414,953)	979,024	(277,653,789)	(4,458,779,369)
Furniture, fixtures and office equipment	(15,687,364)	(28,364,208)	2,652,852	-	(41,398,720)
Vehicles	(42,964,397)	(21,369,875)	193,300	-	(64,140,972)
	(3,739,343,797)	(566,726,744)	3,825,176	(277,653,789)	(4,579,899,154)
Net book value	4,667,556,482				5,880,905,552

a) Construction-in-progress at 31 December 2019 principally represent costs incurred on procurement and construction of certain rigs and wheel loaders and renovation of base camp which are expected to complete in 2020.

b) During 2018, the Group had capitalized financial charges of Saudi Riyals 23.1 million related to borrowing costs directly attributable to qualifying assets (2019: Nil).

c) Depreciation is charged to profit or loss over the following estimated economic useful lives:

	Number of years
• Buildings and portable cabins	10 - 33
• Rig, machinery and equipment	7 - 20
• Furniture, fixtures and office equipment	7
• Vehicles	4

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8.1 Impairment losses

During 2018, the Company determined that the recoverable amount of three of its rigs (AD 44, AD 45 and AD 70), considered as separate CGUs, were lower than their carrying amounts due to significant decline in the future expected net cash flows of each rig.

The carrying amounts, recoverable values and resultant impairment losses as at 31 December 2018 are as follows:

Rig number	Carrying amount	Recoverable value (value in use)	Impairment losses
AD 44	130,902,869	73,757,953	57,144,916
AD 45	123,705,480	73,423,348	50,282,132
AD 70	879,543,908	709,317,167	170,226,741
	1,134,152,257	**856,498,468**	**277,653,789**

The key estimates used by the Group's management for the impairment calculations were as follows:

- Projected cash flows using approved budgets and forecasts;
- The growth rate considered to project certain cash flows beyond the period covered by management approved budget and forecasts;
- The discount rate used was approximately 8.6% based on weighted average cost of capital in the cash flow projects; and
- Expected contract prices over the course of the useful life of the rigs.

As at 31 December 2019, the Group's management has recalculated the recoverable values of AD 44, AD 45 and AD 70 and concluded that no further impairment or any impairment reversal is required. The key estimates used by the Group's management were not materially different than those used as at 31 December 2018.

9 Intangible assets

	2019	2018
Cost		
1 January	**26,059,657**	19,284,435
Additions	**2,376,934**	6,775,222
Transfer	**303,032**	-
31 December	**28,739,623**	26,059,657
Accumulated amortization		
1 January	**(6,384,658)**	(4,548,046)
Additions	**(5,451,026)**	(1,836,612)
Transfer	**(20,950)**	-
31 December	**(11,856,634)**	(6,384,658)
Net book value		
31 December	**16,882,989**	19,674,999

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10 Leases

	1 January 2019	Right-of-use recognised upon adoption of IFRS 16 (Note 2.1)	Depreciation	31 December 2019
Warehouse	-	1,937,119	(403,566)	**1,533,553**
Vehicles	-	8,657,521	(2,473,577)	**6,183,944**
	-	10,594,640	(2,877,143)	7,717,497

	Note	
Lease liabilities		
As at 1 January 2019		-
Lease liabilities recognised upon adoption of IFRS 16	2.1	**10,513,148**
Repayments		**(3,146,060)**
		7,367,088
Financial costs	7	**357,910**
As at 31 December 2019		**7,724,998**

Lease liabilities are presented as follows:	
Non-current portion	**4,777,821**
Current maturity shown under current liabilities	**2,947,177**
	7,724,998

Future financial costs on lease liabilities amounts to Saudi Riyals 0.4 million.

i) Amounts recognised in profit and loss

	2019	2018
Depreciation charge of right-of-use assets		
Cost of revenue	**2,473,577**	-
General and administrative expenses	**403,566**	-
	2,877,143	-

ii) Amounts presented in the consolidated statement of cash flows

The total cash outflow for leases in 2019 was Saudi Riyals 3.1 million.

iii) Additional information about the Group's leasing activities

The Group has leases in respect of various parcels of warehouse facility and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor.

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iv) Other amounts recognised in profit and loss

Expense relating to short-term leases for the year ended 31 December 2019 amounted to Saudi Riyals 1.3 million.

11 Inventories

	2019	2018
Spare parts and supplies, not held for sale	**187,500,142**	173,474,334
Less: provision for slow-moving inventories	**(20,243,255)**	(10,710,360)
	167,256,887	162,763,974

Movement in provision for slow-moving inventories is as follows:

	2019	2018
1 January	**10,710,360**	7,143,255
Additions	**9,532,895**	3,567,105
31 December	**20,243,255**	10,710,360

12 Trade and other receivables

	Note	2019	2018
Trade:			
Billed		**227,952,435**	352,242,519
Unbilled		**187,848,913**	40,184,824
Related party - billed	24	**320,192,585**	239,973,503
Retentions receivable		**250,544,504**	213,726,344
Less: allowance for ECL		**(30,652,305)**	(13,507,040)
		955,886,132	832,620,150
Prepayments		**30,303,414**	15,134,576
Refundable value added tax		**14,155,954**	45,066,680
Advance income tax - net	23	**16,241,444**	11,764,997
Related party	24	**-**	872,674
Other		**25,122,777**	40,483,871
		1,041,709,721	945,942,948

Movement in allowance for ECL is as follows:

	2019	2018
1 January	**13,507,040**	1,475,551
Additions	**17,145,265**	12,031,489
31 December	**30,652,305**	13,507,040

(a) The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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(b) Customers are allowed credit period from the invoice date ranging from 30 to 60 days based on the agreed terms with the customer. These relate to a number of corporate customers from whom there is no history of default. The aging analysis of these trade receivable is as follows:

	2019	2018
Not due	**221,315,934**	255,723,811
Over due up to 90 days	**668,543,378**	483,048,512
Over due for a period between 91 to 180 days	**20,933,549**	51,912,040
Over due for a period between 181 to 365 days	**32,078,079**	39,115,762
Over due for a period between 366 to 730 days	**33,550,665**	4,983,377
Over 730 days	**10,116,832**	11,343,688
	986,538,437	846,127,190

The Group considers any trade receivables overdue for more than 730 days to be in default and are accordingly fully provided for. The loss rates for the ageing brackets are not significant.

(c) The other classes within trade and other receivable do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable.

(d) The Group does not hold any collateral as security.

13 Cash and cash equivalents

	2019	2018
Cash in hand	**40,797**	136,883
Cash at bank	**221,232,044**	78,702,842
	221,272,841	78,839,725

14 Non-current assets held for sale

During 2019, based on the approval of the Company's Board of Directors, the Company initiated a plan to actively seek buyers for two rigs previously classified under construction work-in-progress. Accordingly, such rigs have been classified in the accompanying 2019 consolidated statement of financial position as non-current assets held for sale and are carried at their fair value less cost to sell resulting in a write-down of Saudi Riyals 19.3 million to their carrying values presented in the accompanying consolidated statement of comprehensive income as impairment losses. The carrying amount, fair value less cost to sell and the resultant impairment losses are as follows:

Rig number	Carrying amount	Fair value less cost to sell	Impairment losses
AD 90	15,108,906	5,518,313	9,590,593
AD 100	15,198,181	5,518,312	9,679,869
	30,307,087	**11,036,625**	**19,270,462**

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15 Share capital

The share capital of the Company as of 31 December consisted of 225,800 shares stated at Saudi Riyals 100 per share as follows:

Shareholder	Country of incorporation	Shareholding percentage 2019	2018
TAQA	Kingdom of Saudi Arabia	**51**	51
SPS	France	**49**	49
		100	100

16 Additional paid-in capital

This represents funding provided by the Company's shareholders in proportion to their shareholding for the purpose of meeting the Company's working capital and capital expenditure requirements.

17 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to maintain a statutory reserve equal to a minimum of 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

18 Dividends

	2019	2018
1 January	**34,729,075**	-
Dividend approved in shareholders' meeting held on 18 March 2019	**48,987,744**	-
Dividend approved in shareholders' meeting held on 22 March 2018	**-**	89,461,089
Dividends paid	**(34,729,075)**	(54,732,014)
Dividends adjusted against zakat and income tax reimbursable	**(34,846,545)**	-
31 December	**14,141,199**	34,729,075

Also see Note 24 (e).

19 Fair value of cash flow hedge

The Group entered into an interest rate swap arrangement designated as a cash flow hedge instrument to cover cash flow fluctuations arising from variable interest rate murabaha loans. The interest rate swap results in the Group receiving floating Saudi Interbank Offer Rate ("SIBOR") while paying a fixed rate of interest under certain conditions. As per Group policy, derivative instruments are not used for trading or speculative purposes.

The fair value of the derivative is calculated using a discounted cash flow analysis and is accordingly categorized in Level 3 of the fair value hierarchy. Significant market data used as input for such valuation includes interest rate (SIBOR) curves. At 31 December 2019, the impact of a reasonably expected change in the interest rate (SIBOR) curves is not expected to be material.

At 31 December 2019, the carrying amount and fair value of the hedging instrument is Saudi Riyals 13.1 million - liability (2018: Saudi Riyals 4.3 million - asset). There were no transfers between levels of fair value hierarchy during the period.

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20 Long-term murabaha borrowings

	2019	2018
Murabaha borrowings	**2,517,342,403**	2,561,553,136
Add: accrued financial costs	**12,201,956**	6,194,543
	2,529,544,359	2,567,747,679
Less: current portion presented under current liabilities	**(794,065,054)**	(647,015,975)
	1,735,479,305	1,920,731,704

The Company has long-term murabaha facility agreements with four local commercial banks with a total facility of Saudi Riyals 3.53 billion to finance the capital expenditure and working capital requirements of the Company. These loans bear financial charges based on prevailing market rates which are based on SIBOR. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2020 through 2026. The loans are secured principally by the assignment of certain trade receivables. The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions and certain other requirements.

At 31 December 2019, the Company obtained waivers against certain covenants of the borrowing facilities which it was not in compliance with. Such waivers were obtained before 31 December 2019.

Maturity profile of long-term murabaha borrowings

	2019	2018
Years ending 31 December:		
2019	-	647,015,975
2020	**794,065,054**	607,339,288
2021	**619,943,452**	445,419,644
2022	**477,452,380**	302,928,572
2023	**240,225,610**	227,044,200
2024	**176,695,710**	176,695,710
Thereafter	**221,162,153**	161,304,290
	2,529,544,359	2,567,747,679

21 Employee benefit obligations

21.1 General description of the plan

The Group operates a defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2019.

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21.2 Movement in net liability recognized in the consolidated statement of financial position

	2019	2018
1 January	**242,183,957**	217,968,845
Current service cost	**27,182,836**	23,923,554
Interest expense	**10,558,965**	7,405,358
Payments	**(18,973,790)**	(1,454,391)
Remeasurements	**(13,326,442)**	(5,659,409)
31 December	**247,625,526**	242,183,957

21.3 Amounts recognised in the consolidated statement of comprehensive income

	2019	2018
Current service cost	**27,182,836**	23,923,554
Interest expense	**10,558,965**	7,405,358
Total amount recognised in profit or loss	**37,741,801**	31,328,912
Remeasurements		
Gain due to experience adjustments	**(13,326,442)**	(5,659,409)
Total amount recognised in comprehensive income	**(13,326,442)**	(5,659,409)

21.4 Key actuarial assumptions

	2019	2018
Discount rate	2.5%	4.00% - 4.55%
Salary growth rate	2.0%	4.00% - 4.55%

21.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(20,758,372)	17,717,314
Salary growth rate	1%	1%	18,483,477	(21,784,677)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligations.

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21.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 6 to 8 years (2018: 10 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2019	26,288,162	30,216,074	79,115,389	519,788,466	**655,408,091**

22 Trade and other payables

	Note	2019	2018
Trade payable		**282,670,399**	338,844,976
Less: non-current trade payable		**(16,000,801)**	(19,484,134)
		266,669,598	319,360,842
Accrued expenses		**328,004,253**	261,368,106
Dividends payable	18	**14,141,199**	34,729,075
Due to related parties	24	**12,115,631**	49,120
Other		**1,452,416**	24,265,780
		622,383,097	639,772,923

23 Zakat and income tax matters

23.1 Components of zakat base

The Company and its Subsidiary file their zakat and income tax declaration on an unconsolidated basis. The significant components of the zakat base of the Company, under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year, long-term murabaha borrowings and adjusted net income, less deduction for the net book value of property and equipment and certain other items.

23.2 Income tax expense

	2019	2018
Current tax	**1,271,842**	6,775,410
Deferred tax charged to profit or loss	**39,125,178**	(1,065,944)
	40,397,020	5,709,466
Deferred tax charged to other comprehensive income	**1,368,092**	545,578
	41,765,112	6,255,044

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23.3 Provision for zakat and income tax

	Zakat	Income tax	Total
1 January 2019	10,697,286	(11,764,997)	**(1,067,711)**
Provision	8,547,787	1,225,057	**9,772,844**
Adjustment relating to prior year	18,060	46,785	**64,845**
	8,565,847	1,271,842	**9,837,689**
Payment	(10,715,346)	(337,127)	**(11,052,473)**
Advance tax payments	-	(5,411,162)	**(5,411,162)**
31 December 2019	8,547,787	(16,241,444)	**(7,693,657)**
1 January 2018	10,767,801	354,895	11,122,696
Provision	10,697,286	6,775,410	17,472,696
Payment	(10,767,801)	(354,895)	(11,122,696)
Advance tax payments	-	(18,540,407)	(18,540,407)
31 December 2018	10,697,286	(11,764,997)	(1,067,711)

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2019	**2018**
Profit before zakat and income tax	**279,382,663**	108,993,303
Income tax rate applicable to the Group	**20%**	20%
Effective shareholding subject to income tax	**51.33%**	51.33%
Income tax on effective shareholding	**28,681,424**	11,189,252
Reconciliation:		
Add: tax effect of permanent differences	**10,117,366**	(4,275,366)
Add: deferred tax not recorded for a subsidiary	**1,551,445**	(1,204,420)
Add: prior year tax adjustment	**46,785**	-
	40,397,020	5,709,466

23.5 Status of certificates and final assessments

(i) The GAZT has finalized the Company's zakat and income tax assessments for the years through 2014. Assessments for the years 2015 through 2018 are currently under review by the GAZT.

(ii) During 2015, the GAZT issued additional assessments for Ofsat amounting to Saudi Riyals 0.5 million for the years 2000 through 2004. Ofsat has appealed against the above assessments and management of Ofsat believes that no material liability will arise upon the ultimate resolution of these appeals. Further, during 2017, Ofsat also received additional assessments from the GAZT for the years 2005 through 2012 amounting to Saudi Riyals 0.2 million which were fully settled by Ofsat in 2017. Ofsat's assessments for the years 2013 through 2018 are currently under review by the GAZT.

(iii) The Group has obtained zakat and income tax certificates for the years through 2018.

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23.6 Deferred taxes

The balance comprises deductible / (taxable) temporary differences attributable to:

	2019	2018
Employee benefit obligations	**247,625,526**	236,091,013
Property and equipment	**(1,800,061,643)**	(1,353,358,985)
Other	**57,201,704**	16,474,145
Taxable temporary differences - net	**(1,495,234,413)**	(1,100,793,827)
Deferred tax liability	**153,500,764**	113,007,494

Movement in deferred taxes is attributable to:

	Employee benefit obligations	Property and equipment	Other	Total
1 January 2019	24,237,104	(138,935,833)	1,691,235	**(113,007,494)**
Charged to consolidated statement of comprehensive income	1,184,132	(45,858,495)	4,181,093	**(40,493,270)**
31 December 2019	25,421,236	(184,794,328)	5,872,328	**(153,500,764)**
1 January 2018	21,703,141	(135,382,481)	151,480	(113,527,860)
Charged to consolidated statement of comprehensive income	2,533,963	(3,553,352)	1,539,755	520,366
31 December 2018	24,237,104	(138,935,833)	1,691,235	(113,007,494)

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) The Company is controlled by TAQA which is the Company's immediate and ultimate parent.

(b) Following are the significant transactions entered into by the Group with its related parties:

Nature of transactions	2019	2018
Revenue from an associated company	**838,911,355**	465,996,442
Rent income from an associated company	**729,200**	747,771
Costs charged by an associated company	**34,099,735**	19,845,989
Purchase of property and equipment from an associated company	**-**	226,064,478

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(c) Key management personnel compensation:

	2019	**2018**
Salaries and other short-term employee benefits	**13,880,840**	11,094,048
Post-employment benefits	**556,854**	1,528,583
	14,437,694	12,622,631

Board of directors' fee for the year ended 31 December 2019 was Saudi Riyals 0.1 million (2018: Saudi Riyals 0.1 million).

(d) Due from related parties

	2019	**2018**
Schlumberger Middle East S.A. ("SMESA")	**320,192,585**	239,973,503
Arabian Geophysical & Surveying Company ("ARGAS")	**-**	872,674
	320,192,585	240,846,177

During 2019, the Group provided certain services and issued the related invoices to SMESA amounting to Saudi Riyals 19.9 million. Such invoices are currently under dispute and SMESA has withheld the payment until the final resolution of such dispute. Management of the Group believes that such invoices are based on the work performed under the contractual terms as agreed between the Group and SMESA. Subsequent to year end, the Group and SMESA have formed an Internal Technical Committee (the "Committee") with equal representation from both parties to resolve such dispute. As of the date of approval of these consolidated financial statements, the Committee's decision is pending.

Management of the Group has assessed that, there is a 50% probability that the final resolution of the Committee will be in the Group's favor and the invoices will be paid by SMESA. Accordingly, a provision of Saudi Riyals 9.9 million has been recognized in the accompanying consolidated financial statements for the year ended 31 December 2019.

(e) Due to related parties

	2019	**2018**
SPS	**12,055,339**	-
ARGAS	**60,292**	-
TAQA	**-**	49,120
	12,115,631	49,120

25 Financial risk management

25.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

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. Further quantitative disclosures are included throughout these consolidated financial statements.

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The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals and USD. Since Saudi Riyal is pegged to USD, the Group believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms.

The Group manages its cash flow interest rate risk by using variable-to-fixed interest rate swaps. The Group raises certain of its long-term murabaha borrowings at variable rates and swaps them into fixed rates. During 2019, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2019, the Group had variable interest bearing financial liabilities of Saudi Riyals 2.5 billion (2018: Saudi Riyals 2.6 billion), and had the interest rate varied by 1% with all the other variables held constant, net change in profit before zakat and income tax would have been approximately Saudi Riyals 25.6 million (2018: Saudi Riyals 6.6 million) lower / higher, mainly as a result of lower / higher financial charges on floating rate borrowings.

The Group's receivables and payables are carried at amortised cost and are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents carried at amortised cost, as well as credit exposures to customers, including outstanding receivables.

Cash and cash equivalents represent low credit risk as they are placed with reputable local banks.

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Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. At 31 December 2019, 99.7% of trade receivables were due from three customers (2018: 99.9% due from three customers). Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a few customers for whom there is no recent history of default.

Management believes that it is not exposed to significant credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities. At 31 December 2019, the Group's current liabilities exceeded its current assets by Saudi Riyals 10.4 million (2018: Saudi Riyals 140.8 million). The Group expects to generate sufficient operating cash flows in the next twelve months to cover the shortfall.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below summarises the Group's f financial liabilities based on undiscounted contractual cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

The Group's trading portfolio of derivative instruments with a negative fair value has been included at their fair value within the 'less than one year' time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net fair value basis, rather than by maturity date.

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	Less than one year	1 to 2 Years	2 to 5 years	Over 5 years	Total
2019					
Derivatives					
Fair value of cash flow hedge	13,099,222	-	-	-	**13,099,222**
Financial liabilities					
Long-term murabaha borrowings	794,065,054	619,943,452	894,373,700	221,162,153	**2,529,544,359**
Lease liabilities	3,146,060	3,146,060	1,823,030	-	**8,115,150**
Future interest on long- term murabaha borrowings	71,406,435	46,100,869	44,300,753	2,488,590	**164,296,647**
Trade and other payables	622,383,097	7,999,201	8,001,600	-	**638,383,898**
	1,491,000,646	677,189,582	948,499,083	223,650,743	**3,340,340,054**

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2018					
Derivatives					
Fair value of cash flow hedge	4,256,814	-	-	-	4,256,814
Financial liabilities					
Long-term murabaha borrowings	647,015,975	607,339,288	975,392,416	338,000,000	2,567,747,679
Future interest on long-term murabaha borrowings	102,794,420	77,394,219	105,482,602	19,384,775	305,056,016
Trade and other payables	639,772,923	11,482,534	8,001,600	-	659,257,057
	1,389,583,318	696,216,041	1,088,876,618	357,384,775	3,532,060,752

25.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings which includes long-term murabaha borrowings and lease liabilities as shown in the consolidated statement of financial position, less cash and cash equivalents. Total equity is as per the consolidated statement of financial position plus net debt.

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The gearing ratios at 31 December were as follows:

	2019	2018
Total borrowings	**2,537,269,357**	2,567,747,679
Less: cash and cash equivalents	**(221,272,841)**	(78,839,725)
Net debt	**2,315,996,516**	2,488,907,954
Total equity	**3,626,699,119**	3,441,581,040
Gearing ratio	**64%**	72%

25.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's management.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2019 and 2018, the fair values of the Group's current financial instruments, except for cash flow hedge at fair value through other comprehensive income, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Cash flow hedge at fair value through other comprehensive income is carried at fair value which is assessed by management to fall in Level 3 of the fair value hierarchy.

ARABIAN DRILLING COMPANY
(A limited liability company)
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26 Categories of financial instruments

The financial instruments by category are detailed in the table below:

	2019	2018
Financial assets at amortised cost		
Trade and other receivables	**986,538,437**	854,816,544
Cash and cash equivalents	**221,272,841**	78,839,725
Total	**1,207,811,278**	933,656,269
Derivatives		
Fair value of cash flow hedge	**(13,099,222)**	4,256,814

	2019	2018
Financial liabilities at amortised cost		
Long-term murabaha borrowings	**2,529,544,359**	2,567,747,679
Lease liabilities	**7,724,998**	-
Trade and other payables	**638,383,898**	659,257,057
Total	**3,175,653,255**	3,227,004,736

27 Contingencies and commitments

(i) At 31 December 2019, the Group was contingently liable for bank guarantees and letters of credit issued in the normal course of the Group's business amounting to Saudi Riyals 253.9 million and Saudi Riyals 91.7 million respectively (2018: Saudi Riyals 119.9 million and Saudi Riyals 85.4 million, respectively).

(ii) The capital expenditure contracted by the Group but not incurred till 31 December 2019 was approximately Saudi Riyals 227.1 million (2018: Saudi Riyals 202.0 million).

(iii) As at 31 December 2018, the Group had various operating leases for a term of three years. Rental expense for the year ended 31 December 2018 amounted to Saudi Riyals 65.0 million. Commitments for minimum lease payments under non-cancelable operating leases as of 31 December 2018 were Saudi Riyals 82.6 million.

(iv) Also see Note 23.

28 Non-adjusting subsequent events

The existence of novel coronavirus (COVID-19) was confirmed in early 2020. COVID-19 has since been declared as a pandemic by the World Health Organization, causing disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group's results.

ARABIAN DRILLING COMPANY
(A LIMITED LIABILITY COMPANY)

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

ARABIAN DRILLING COMPANY
(A limited liability company)
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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Independent auditor's report to the shareholders of Arabian Drilling Company

Report on the audit of the special purpose financial statements

Our opinion

In our opinion, the special purpose financial statements of Arabian Drilling Company (the "Company") as of 31 December 2020 and for the year then ended are prepared, in all material respects, in accordance with the accounting policies as described in Note 2 to the accompanying special purpose financial statements.

What we have audited

The Company's special purpose financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the special purpose financial statements, which include significant accounting policies and other explanatory information.

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 Special Purpose Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the special purpose financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The accompanying special purpose financial statements are prepared to file the zakat and income tax return of the Company with the General Authority of Zakat and Tax ("GAZT"). As a result, the special purpose financial statements may not be suitable for another purpose.

Our report is intended solely for the Company and GAZT and should not be distributed to or used by other parties. Our opinion is not modified in respect to this matter.

Responsibilities of management for the special purpose financial statements

Management is responsible for the preparation of the special purpose financial statements in accordance with the accounting policies as described in Note 2 to the accompanying special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

Auditor's responsibilities for the audit of the special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose financial statements.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 Company'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 Company'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 special purpose 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 Company to cease to continue as a going concern.

We communicate with management 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.

PricewaterhouseCoopers

Ashraf M. Al-Zamzami
License Number 587

26 April 2021

ARABIAN DRILLING COMPANY
(A limited liability company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	**For the year ended 31 December 2020**	**2019**
Revenue	4	**2,528,381,767**	2,809,071,519
Cost of revenue	5	**(2,047,457,960)**	(2,267,092,087)
Impairment losses	15	-	(19,270,462)
Gross profit		**480,923,807**	522,708,970
Impairment losses on financial assets	13	**(551,492)**	(17,145,265)
General and administrative expenses	6	**(119,950,939)**	(133,473,532)
Other operating income/(expenses) - net		**6,164,558**	(1,310,450)
Operating profit		**366,585,934**	370,779,723
Financial costs	7	**(62,668,690)**	(100,761,783)
Financial income		**927,214**	-
Financial costs - net		**(61,741,476)**	(100,761,783)
Share in profit for the year of a subsidiary	11	**29,185,531**	7,515,274
Profit before zakat and income tax		**334,029,989**	277,533,214
Zakat expense	24	**(10,056,652)**	(8,073,931)
Income tax expense	24	**(29,899,759)**	(39,039,487)
Profit for the year		**294,073,578**	230,419,796
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss -			
Fair value changes in cash flow hedge	20	**(2,033,595)**	(17,356,036)
Items that will not be reclassified to profit or loss -			
Remeasurements of employee benefit obligations	22	**2,781,452**	13,272,698
Impact of deferred tax	24	**(285,544)**	(1,362,575)
		2,495,908	11,910,123
Share in other comprehensive (loss)/income for the year of a subsidiary	11	**(183,407)**	48,227
Other comprehensive income/(loss) for the year		**278,906**	(5,397,686)
Total comprehensive income for the year		**294,352,484**	225,022,110

The accompanying notes are an integral part of these special purpose financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020	2019
Assets			
Non-current assets			
Property and equipment	8	**5,302,535,240**	5,609,667,179
Intangible assets	9	**10,781,209**	16,352,615
Right-of-use assets	10	**3,710,367**	6,183,944
Investment in a subsidiary	11	**177,720,325**	148,718,201
Mobilization cost	4	**4,971,840**	22,457,576
Total non-current assets		**5,499,718,981**	5,803,379,515
Current assets			
Inventories	12	**151,776,826**	163,905,153
Trade and other receivables	13	**552,925,376**	1,061,866,180
Mobilization cost	4	**20,538,699**	38,783,536
Cash and cash equivalents	14	**624,490,038**	220,539,561
		1,349,730,939	1,485,094,430
Non-current assets held-for-sale	15	**11,036,625**	11,036,625
Total current assets		**1,360,767,564**	1,496,131,055
Total assets		**6,860,486,545**	7,299,510,570
Equity and liabilities			
Equity			
Share capital	16	**22,580,000**	22,580,000
Additional paid-in-capital	17	**97,420,800**	97,420,800
Statutory reserve	18	**18,883,921**	18,883,921
Fair value of cash flow hedge	20	**(15,132,817)**	(13,099,222)
Retained earnings		**3,788,414,614**	3,500,913,620
Total equity		**3,912,166,518**	3,626,699,119
Liabilities			
Non-current liabilities			
Long-term murabaha borrowings	21	**1,377,434,235**	1,735,479,305
Lease liabilities	10	**1,312,089**	3,858,967
Deferred tax liability	24	**175,638,109**	152,399,774
Mobilization revenue	4	**14,423,771**	38,975,356
Employee benefit obligations	22	**246,625,377**	242,353,160
Fair value of cash flow hedge	20	**15,132,817**	13,099,222
Total non-current liabilities		**1,830,566,398**	2,186,165,784

(continued)

ARABIAN DRILLING COMPANY
(A limited liability company)
Statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020	2019
Current liabilities			
Trade and other payables	23	**429,414,075**	619,589,055
Current portion of long-term murabaha borrowings	21	**639,622,887**	794,065,054
Current portion of lease liabilities	10	**2,546,877**	2,447,177
Mobilization revenue	4	**36,538,901**	62,470,450
Zakat payable	24	**9,630,889**	8,073,931
Total current liabilities		**1,117,753,629**	1,486,645,667
Total liabilities		**2,948,320,027**	3,672,811,451
Total equity and liabilities		**6,860,486,545**	7,299,510,570

The accompanying notes are an integral part of these special purpose financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Industrialization and Energy Services Company - TAQA ("TAQA")	Services Petroliers Schlumberger S.A. ("SPS")	Total
Share capital	16			
31 December 2020 and 2019		11,515,800	11,064,200	**22,580,000**
Additional paid-in-capital	17			
31 December 2020 and 2019		49,684,608	47,736,192	**97,420,800**
Statutory reserve	18			
31 December 2020 and 2019		9,630,800	9,253,121	**18,883,921**
Fair value of cash flow hedge	20			
1 January 2019		2,170,975	2,085,839	4,256,814
Fair value changes		(8,851,578)	(8,504,458)	(17,356,036)
31 December 2019		(6,680,603)	(6,418,619)	(13,099,222)
Fair value changes		(1,037,133)	(996,462)	**(2,033,595)**
31 December 2020		(7,717,736)	(7,415,081)	**(15,132,817)**
Retained earnings				
1 January 2019		1,734,489,600	1,563,949,905	3,298,439,505
Profit before zakat and income tax		141,931,737	135,601,477	277,533,214
Zakat and income tax	24	(9,842,687)	(37,270,731)	(47,113,418)
		132,089,050	98,330,746	230,419,796
Zakat and income tax reimbursable by shareholders	25	8,119,681	964,032	9,083,713
Gain on remeasurements of employee benefit obligations, net of deferred tax	22	6,734,501	5,223,849	11,958,350
Dividends	19	(24,983,749)	(24,003,995)	(48,987,744)
31 December 2019		1,856,449,083	1,644,464,537	3,500,913,620
Profit before zakat and income tax		171,843,314	162,186,675	**334,029,989**
Zakat and income tax	24	(11,411,316)	(28,545,095)	**(39,956,411)**
		160,431,998	133,641,580	**294,073,578**
Zakat and income tax reimbursable by shareholders	25	10,056,652	6,946,968	**17,003,620**
Gain on remeasurements of employee benefit obligations, net of deferred tax	22	1,302,316	1,010,185	**2,312,501**
Dividends	19	(13,203,240)	(12,685,465)	**(25,888,705)**
31 December 2020		2,015,036,809	1,773,377,805	**3,788,414,614**
31 December 2020		**2,077,901,616**	**1,834,264,902**	**3,912,166,518**
31 December 2019		1,920,599,688	1,706,099,431	3,626,699,119

The accompanying notes are an integral part of these special purpose financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Profit before zakat and income tax		**334,029,989**	277,533,214
Adjustments for:			
Depreciation	8, 10	**690,197,657**	594,784,139
Impairment losses	15	-	19,270,462
Amortization	9	**5,571,406**	5,282,634
Share in profit for the year of a subsidiary	11	**(29,185,531)**	(7,515,274)
Allowance for Expected Credit Losses ("ECL")	13	**551,492**	17,145,265
Provision for employee benefit obligations	22	**32,825,245**	36,777,729
Loss on disposal of property and equipment		-	1,621,838
Amortization of mobilization cost	4	**39,667,435**	51,422,626
Amortization of mobilization revenue	4	**(65,483,134)**	(81,645,615)
Financial costs		**62,668,690**	100,761,783
Financial income		**(927,214)**	-
Changes in working capital:			
Decrease/(increase) in inventories		**12,128,327**	(4,806,555)
Decrease/(increase) in trade and other receivables		**502,437,757**	(140,670,003)
Decrease in trade and other payables		**(176,033,781)**	(16,194,869)
Cash generated from operations		**1,408,448,338**	853,767,374
Mobilization cost paid	4	**(3,936,862)**	(21,231,816)
Mobilization revenue received	4	**15,000,000**	33,750,000
Zakat and income tax paid	24	**(8,499,694)**	(15,658,900)
Employee benefit obligations paid	22	**(25,771,576)**	(17,242,884)
Financial costs paid		**(66,841,061)**	(94,754,370)
Financial income received		**927,214**	-
Net cash inflow from operating activities		**1,319,326,359**	738,629,404
Cash flows from investing activities			
Advances to a subsidiary		-	245,399
Payments for purchase of property and equipment	8	**(380,592,141)**	(509,234,759)
Payments for purchase of intangible assets	9	-	(1,960,250)
Net cash outflow from investing activities		**(380,592,141)**	(510,949,610)
Cash flows from financing activities			
Dividends paid	19	**(19,945,124)**	(34,729,075)
Proceeds from long-term murabaha borrowings		-	560,271,413
Repayment of long-term murabaha borrowings		**(512,487,239)**	(604,482,146)
Repayments for lease liabilities		**(2,351,378)**	(2,646,060)
Net cash outflow from financing activities		**(534,783,741)**	(81,585,868)
Net increase in cash and cash equivalents		**403,950,477**	146,093,926
Cash and cash equivalents at beginning of year		**220,539,561**	74,445,635
Cash and cash equivalents at end of year	14	**624,490,038**	220,539,561
Non-cash operating and investing activities:			
Recognition of right-of-use assets and corresponding lease liabilities	10	-	8,657,521
Zakat and income tax reimbursable from shareholders	25	**17,003,620**	9,083,713

The accompanying notes are an integral part of these special purpose financial statements.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Arabian Drilling Company ("the Company" or "ADC") is principally involved in the drilling of oil and natural gas wells.

The Company is a limited liability company licensed under foreign investment license No. 2031047241 issued by the Ministry of Investment (previously Saudi Arabian General Investment Authority) on 18 Dhu-al-Hijja 1424H (13 December 2003) and operating under Commercial Registration No. 2051026089 issued in Dammam on 3 Safar 1423H (16 April 2002). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

Due to the spread of COVID-19 starting first quarter of 2020, the Company witnessed a decline in its revenues primarily because of a lower demand of crude oil which is the key driver of demand for services provided by the Company. Management of the Company believes that the situation has already improved during 2020 and expects the revenues to increase in 2021 as demand of crude oil recovers. The Company's management has also assessed other impacts of COVID-19 on its operations and has taken a series of proactive and preventative measures to ensure the health and safety of its employees and minimize the impact of the pandemic on its operations and continues to monitor and takes necessary steps to ensure the continuity of its operations as the situation evolves.

The accompanying special purpose financial statements were approved by the Company's management on 26 April 2021.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of special purpose financial statements of the Company are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

These special purpose financial statements have been prepared under the accrual basis of accounting and in compliance with the accounting policies as illustrated below. The Company also prepares consolidated financial statements which are the statutory financial statements of the Company. The accompanying special purpose financial statements have been prepared solely for the use of the management and for the purpose of filing the Company's zakat and income tax declaration with the General Authority of Zakat and Tax (the "GAZT").

These special purpose financial statements are prepared under the historical cost convention unless otherwise stated.

2.2 Revenue

Revenue from performance of services is recognized in the accounting period in which the services are rendered. The Company has concluded that it is the principal in its revenue arrangement since it is the prime obligor in the revenue arrangement and is exposed to credit risk.

Revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

The Company has following revenue streams:

(a) Drilling services and other revenue

Revenue against drilling services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

(b) Rig move revenue

The Company provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

(c) Mobilization revenue and cost

Mobilization revenue represents fee for initial mobilization of new rigs while mobilization cost represents the related costs incurred. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenue and mobilization cost are recognized as contract liabilities and contract assets, respectively, and are amortized over the term of the respective contracts with customers for drilling services.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the special purpose financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company's cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in USD, management believes that Unites States dollars ("USD") is the currency with the most influence over the Company's operations. Accordingly, USD is considered to be the functional currency of the Company.

Management has elected to prepare these special purpose financial statements in Saudi Riyals which is the Company's presentation currency and believes that there is no translation impact on these special purpose financial statements since Saudi Riyal is pegged to USD.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2.4 Financial income

Financial income is measured using the effective interest rate method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

2.5 Zakat and income taxes

In accordance with the regulations of the GAZT, the Company is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Company. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Arabian Oil Company ("Saudi Aramco") are subject to the Saudi Arabian Income Tax Law of 2004. Consequently, the Company is also subject to income tax for the indirect shareholding of 2.33% of Saudi Aramco, being a shareholder in TAQA, which is charged to profit or loss and allocated to TAQA in the statement of changes in equity.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to the foreign shareholder, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. Major spare parts and stand-by equipment qualify for recognition as property and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised as construction-in-progress. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of construction-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of construction-in-progress intended by management. Construction-in-progress is not depreciated.

2.7 Intangible assets

Intangible assets represent software cost and is amortized using straight-line method over its estimated useful life of seven years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

2.8 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

ARABIAN DRILLING COMPANY
(A limited liability company)
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(All amounts in Saudi Riyals unless otherwise stated)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

2.9 Investment in a subsidiary

The Company's investment in a subsidiary in these special purpose financial statements is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's share of the subsidiary's net assets i.e. using the equity method of accounting. The Company's profit or loss includes its share of the subsidiary's profit or loss and the Company's other comprehensive income/(loss) includes its share of the subsidiary's other comprehensive income/(loss).

2.10 Financial instruments

2.10.1 Financial assets

(i) *Classification*

The Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) *Recognition and derecognition*

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.10.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

ARABIAN DRILLING COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

2.10.3 Derivative financial instruments and hedge accounting

Derivatives are measured at fair value and any related transaction costs are recognised in profit or loss. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in a separate reserve shown under equity. The amount accumulated in equity is reclassified to profit or loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognized in profit or loss, within other operating income/(expenses).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.10.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the special purpose financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.11 Impairment of financial and non-financial assets

2.11.1 Impairment of non-financial assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's ("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 profit or loss in those expense categories consistent with the function of the impaired asset.

2.11.2 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For trade receivables and contract assets, the Company applies the simplified approach which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

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The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Company's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the expected rate of increase in inflation for the upcoming year in the Kingdom of Saudi Arabia as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the Customer, the failure of the Customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 730 days past due.

2.12 Inventories

Inventories, principally represent spare parts and consumables not held for sale, which are stated at cost. Cost is determined using the weighted average method. At each reporting date, inventories are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognised immediately in profit or loss. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.13 Trade receivables

Trade receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL. Subsequent recoveries of amount previously written-off are credited to profit or loss.

2.14 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

2.16 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

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2.17 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.18 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

2.20 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of liability at discount rates used are recognized immediately in profit or loss. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

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2.21 Dividend distribution

Dividends are recorded in the special purpose financial statements in the period in which they are approved by shareholders of the Company.

3 Critical accounting estimates and judgements

The preparation of special purpose financial statements requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

(a) Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. The employee benefit obligations liability is sensitive to reasonable possible changes in discount and salary growth rates.

(b) Impairment of property and equipment

Management, in accordance with the accounting policy stated in Note 2.11.1, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of services rendered by the Company;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected future cash inflows; and
- A current-period operating loss combined with a history and forecast of operating or cash flow losses.

Management determines the recoverable amount of the assets based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Company.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Company. Management has performed a sensitivity analysis around the estimates. There are no estimates to a which a reasonably possible change may cause the carrying value to exceed the recoverable value of the assets resulting in an impairment loss in future periods.

(c) Useful lives of property and equipment

Management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 8 for the estimated useful lives of the property and equipment. At 31 December 2020, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been Saudi Riyals 68.8 million.

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4 Revenue

	Note	2020	2019
Drilling revenue		**1,962,704,174**	2,230,817,715
Rig move revenue		**447,735,468**	431,084,338
Mobilization revenue	4.1	**65,483,134**	81,645,615
Other revenue		**52,458,991**	65,523,851
		2,528,381,767	2,809,071,519

4.1 Mobilization revenue

	2020	2019
Revenue		
1 January	**699,751,503**	666,001,503
Additions	**15,000,000**	33,750,000
Terminations	**(383,618,253)**	-
31 December	**331,133,250**	699,751,503
Accumulated amortization		
1 January	**(598,305,697)**	(516,660,082)
Additions	**(65,483,134)**	(81,645,615)
Terminations	**383,618,253**	-
31 December	**(280,170,578)**	(598,305,697)
	50,962,672	101,445,806
Mobilization revenue is presented in the accompanying statement of financial position as follows:		
Current portion presented under current liabilities	**36,538,901**	62,470,450
Non-current portion presented under non-current liabilities	**14,423,771**	38,975,356
	50,962,672	101,445,806

4.2 Mobilization cost

	2020	2019
Cost		
1 January	**343,339,209**	322,107,393
Additions	**3,936,862**	21,231,816
Terminations	**(153,369,788)**	-
31 December	**193,906,283**	343,339,209
Accumulated amortization		
1 January	**(282,098,097)**	(230,675,471)
Additions	**(39,667,435)**	(51,422,626)
Terminations	**153,369,788**	-
31 December	**(168,395,744)**	(282,098,097)
	25,510,539	61,241,112
Mobilization cost are presented in the accompanying statement of financial position as follows:		
Current portion presented under current assets	**20,538,699**	38,783,536
Non-current portion presented under non-current assets	**4,971,840**	22,457,576
	25,510,539	61,241,112

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5 Cost of revenue

	Note	2020	2019
Salaries, wages and benefits		**898,078,110**	1,095,377,312
Depreciation	8, 10	**682,057,538**	587,897,920
Rig move expenses		**169,634,143**	158,684,698
Maintenance and material consumed		**135,977,215**	201,123,339
Rental expenses		**102,420,261**	139,921,737
Mobilization cost	4.3	**39,667,435**	51,422,626
Other		**19,623,258**	32,664,455
		2,047,457,960	2,267,092,087

6 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**74,217,404**	85,734,033
Depreciation and amortisation	8, 9, 10	**13,711,525**	12,168,853
Professional services		**5,943,638**	16,001,520
Office supplies		**2,966,820**	4,058,616
Repairs and maintenance		**2,937,236**	2,819,562
Other		**20,174,316**	12,690,948
		119,950,939	133,473,532

7 Financial costs

	Note	2020	2019
Financial costs on murabaha borrowings		**46,773,353**	94,578,714
Financial costs on cash flow hedge		**14,331,780**	2,465,251
Financial costs on lease liabilities	10	**198,883**	294,683
Other		**1,364,674**	3,423,135
		62,668,690	100,761,783

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8 Property and equipment

	1 January	Additions	Disposals / transfers	31 December
2020				
Cost				
Land	88,236,250	-	-	**88,236,250**
Buildings and portable cabins	85,122,702	-	-	**85,122,702**
Rigs, machinery and equipment	10,252,450,485	-	426,167,408	**10,678,617,893**
Furniture, fixture and office equipment	103,808,077	-	54,244	**103,862,321**
Vehicles	29,545,545	-	-	**29,545,545**
Construction-in-progress	167,269,049	380,592,141	(426,221,652)	**121,639,538**
	10,726,432,108	380,592,141	-	**11,107,024,249**
Accumulated depreciation / impairment				
Buildings and portable cabins	(17,090,620)	(2,249,548)	-	**(19,340,168)**
Rigs, machinery and equipment	(5,024,417,036)	(677,653,939)	-	**(5,702,070,975)**
Furniture, fixture and office equipment	(45,768,114)	(7,786,513)	-	**(53,554,627)**
Vehicles	(29,489,159)	(34,080)	-	**(29,523,239)**
	(5,116,764,929)	(687,724,080)	-	**(5,804,489,009)**
	5,609,667,179			**5,302,535,240**

The Company has identified the spread of COVID-19 and the decline in global prices of crude oil, which have an impact on the prices of the Company's services, as an impairment indicator and has determined the recoverable amounts of all CGUs based on value-in-use calculations. Based on the value-in-use calculations the recoverable amounts of all CGUs exceeded their carrying amounts and no impairment loss was identified. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate and terminal growth rate applicable to the circumstances of the Company.

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	1 January	Additions	Disposals / transfers	31 December
2019				
Cost				
Land	88,236,250	-	-	88,236,250
Buildings and portable cabins	78,787,613	-	6,335,089	85,122,702
Rigs, machinery and equipment	9,328,418,325	-	924,032,160	10,252,450,485
Furniture, fixture and office equipment	89,052,634	-	14,755,443	103,808,077
Vehicles	30,448,405	-	(902,860)	29,545,545
Capital work-in-progress	646,537,431	509,234,759	(988,503,141)	167,269,049
	10,261,480,658	509,234,759	(44,283,309)	10,726,432,108
Accumulated depreciation / impairment				
Buildings and portable cabins	(14,841,072)	(2,249,548)	-	(17,090,620)
Rigs, machinery and equipment	(4,453,533,850)	(582,334,710)	11,451,524	(5,024,417,036)
Furniture, fixture and office equipment	(39,545,143)	(6,222,971)	-	(45,768,114)
Vehicles	(28,888,686)	(1,503,333)	902,860	(29,489,159)
	(4,536,808,751)	(592,310,562)	12,354,384	(5,116,764,929)
	5,724,671,907			5,609,667,179

a) Depreciation is charged to profit or loss over the following estimated economic useful lives:

	Number of years
• Buildings and portable cabins	10 - 33
• Rig, machinery and equipment	7 - 20
• Furniture, fixtures and office equipment	7
• Vehicles	4

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9 Intangible assets

	2020	2019
Cost		
1 January	**28,019,907**	26,059,657
Additions	**-**	1,960,250
31 December	**28,019,907**	28,019,907
Accumulated amortization		
1 January	**(11,667,292)**	(6,384,658)
Additions	**(5,571,406)**	(5,282,634)
31 December	**(17,238,698)**	(11,667,292)
Net book value		
31 December	**10,781,209**	16,352,615

10 Leases

10.1 Right-of-use assets

	2020	2019
Cost		
1 January and 31 December	**8,657,521**	8,657,521
Accumulated depreciation		
1 January	**(2,473,577)**	-
Additions	**(2,473,577)**	(2,473,577)
31 December	**(4,947,154)**	(2,473,577)
Net book value	**3,710,367**	6,183,944

10.2 Lease liabilities

	2020	2019
As at 1 January	**6,306,144**	8,657,521
Repayments	**(2,646,061)**	(2,646,060)
	3,660,083	6,011,461
Financial costs	**198,883**	294,683
As at 31 December	**3,858,966**	6,306,144

Lease liabilities are presented as follows:		
Non-current portion	**1,312,089**	3,858,967
Current portion presented under current liabilities	**2,546,877**	2,447,177
	3,858,966	6,306,144

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11 Investment in a subsidiary

	2020	2019
1 January	148,718,201	141,154,700
Share in profit for the year	40,068,678	9,364,723
Share in other comprehensive income for the year	(183,407)	48,227
Zakat and income tax	(10,883,147)	(1,849,449)
31 December	177,720,325	148,718,201

12 Inventories

	2020	2019
Spare parts and supplies, held not for sale	164,332,437	176,405,153
Less: provision for slow-moving inventories	(12,555,611)	(12,500,000)
	151,776,826	163,905,153

Movement in provision for slow-moving inventories is as follows:

	2020	2019
1 January	12,500,000	2,967,105
Additions	3,247,522	9,532,895
Write-offs	(3,191,911)	-
31 December	12,555,611	12,500,000

13 Trade and other receivables

	Note	2020	2019
Trade:			
- Billed		129,233,915	227,873,742
- Unbilled		98,886,057	187,848,913
Related party	25	249,002,134	316,763,101
Retentions receivable		2,506,687	250,544,504
Less: allowance for ECL		(10,254,746)	(30,652,305)
		469,374,047	952,377,955
Prepayments		21,853,372	28,335,955
Advances to a subsidiary	25	25,190,893	25,190,893
Income tax refundable	24	9,509,751	16,456,719
Value added tax refundable		-	15,091,488
Zakat and income tax reimbursable from shareholders		17,003,620	9,083,713
Advances to suppliers		4,246,449	2,904,117
Other		5,747,244	12,425,340
		552,925,376	1,061,866,180

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Movement in allowance for ECL is as follows:

	2020	2019
1 January	30,652,305	13,507,040
Additions, net of reversals	551,492	17,145,265
Write-offs	(20,949,051)	-
31 December	10,254,746	30,652,305

14 Cash and cash equivalents

	2020	2019
Cash in hand	35,530	-
Cash at bank	454,454,508	220,539,561
Murabaha deposits	170,000,000	-
	624,490,038	220,539,561

15 Non-current assets held for sale

During 2019, based on the approval of the Company's Board of Directors, the Company initiated a plan to actively seek buyers for two rigs previously classified under construction work-in-progress. Accordingly, such rigs are classified as non-current assets held for sale and are carried at their fair value less cost to sell resulting in a write-down of Saudi Riyals 19.3 million to their carrying values in 2019. There has been no change in the estimate of fair value less cost to sell during the year ended 2020. The carrying amount, fair value less cost to sell and the resultant impairment losses as at 31 December 2020 and 2019 are as follows:

Rig number	Carrying amount	Fair value less cost to sell	Impairment losses
AD 90	15,108,906	5,518,313	9,590,593
AD 100	15,198,181	5,518,312	9,679,869
	30,307,087	11,036,625	19,270,462

16 Share capital

The share capital of the Company as of 31 December consisted of 225,800 shares stated at Saudi Riyals 100 per share and owned as follows:

Shareholder	Country of incorporation	Shareholding percentage 2020	2019
TAQA	Kingdom of Saudi Arabia	51	51
SPS	France	49	49
		100	100

17 Additional paid-in-capital

This represents funding provided by the Company's shareholders in proportion to their shareholding. The balance does not have a repayment profile, does not bear any financial costs and is repayable at the discretion of the Company.

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18 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to maintain a statutory reserve equal to a minimum of 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

19 Dividends payable

	2020	2019
1 January	**14,141,199**	34,729,075
Dividend approved in shareholders' meeting held on 26 May 2020	**25,888,705**	-
Dividend approved in shareholders' meeting held on 18 March 2019	-	48,987,744
Dividends paid	**(19,945,124)**	(34,729,075)
Dividends adjusted against zakat and income tax reimbursable	**(20,084,780)**	(34,846,545)
31 December	-	14,141,199

20 Fair value of cash flow hedge

The Company entered into an interest rate swap arrangement designated as a cash flow hedge instrument to cover cash flow fluctuations arising from variable interest rate murabaha loans. The interest rate swap results in the Company receiving floating Saudi Interbank Offer Rate ("SIBOR") while paying a fixed rate of interest under certain conditions. As per Company policy, derivative instruments are not used for trading or speculative purposes.

21 Long-term murabaha borrowings

	2020	2019
Murabaha borrowings	**2,009,027,537**	2,517,342,403
Add: accrued financial costs	**8,029,585**	12,201,956
	2,017,057,122	2,529,544,359
Less: current maturity presented under current liabilities	**(639,622,887)**	(794,065,054)
	1,377,434,235	1,735,479,305

The Company has long-term murabaha facility agreements with four commercial banks with a total facility of Saudi Riyals 3.53 billion to finance the capital expenditure and working capital requirements of the Company. These loans bear financial charges based on prevailing market rates which are based on SIBOR. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2019 through 2026. The loans are secured principally by the assignment of certain trade receivables. The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions and certain other requirements.

At 31 December 2020, the Company was in compliance with covenants of the borrowing facilities.

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Maturity profile of long-term murabaha borrowings

	2020	2019
Years ending 31 December:		
2020	-	794,065,054
2021	639,622,887	619,943,452
2022	549,129,014	477,452,380
2023	430,537,364	240,225,610
2024	176,785,714	176,695,710
2025	176,785,714	176,965,724
Thereafter	44,196,429	44,196,429
	2,017,057,122	2,529,544,359

22 Employee benefit obligations

22.1 General description of the plan

The Company operates a defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2020.

22.2 Movement in net liability recognized in the statement of financial position

	2020	2019
1 January	242,353,160	236,091,013
Current service cost	27,088,561	26,427,864
Interest expense	5,736,684	10,349,865
Payments	(25,771,576)	(17,242,884)
Remeasurements	(2,781,452)	(13,272,698)
31 December	246,625,377	242,353,160

23 Trade and other payables

	Note	2020	2019
Accrued expenses		281,863,556	316,291,664
Trade payable		102,981,363	224,570,462
Related party	25	25,948,346	63,379,328
Dividend payable	19	-	14,141,199
Value added tax payable		18,275,321	-
Other		345,489	1,206,402
		429,414,075	619,589,055

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24 Zakat and income tax matters

24.1 Components of approximate zakat base

	2020	2019
Equity at beginning of year	**3,626,699,119**	3,441,581,040
Provisions at beginning of year	**235,592,927**	235,322,274
Long-term borrowings	**2,017,057,122**	2,529,544,359
Lease liabilities	**-**	6,306,144
Dividends paid, as adjusted	**(13,203,240)**	(34,729,075)
Inventories	**(164,332,437)**	(176,405,153)
Investment in a subsidiary, as adjusted	**(148,718,201)**	(141,154,700)
Non-current assets, as adjusted	**(5,313,316,449)**	(5,643,240,363)
Others	**56,372,319**	-
Approximate zakat base before adjusted net income	**296,151,160**	217,224,526
Adjusted profit for the year	**341,273,324**	319,997,014
Equity at beginning of year	**637,424,484**	537,221,540

Zakat is payable at 2.578% of the approximate zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholder after adjusting for the impact of the indirect shareholding of Saudi Aramco. Zakat on adjusted net profit for the year is payable at 2.5%.

24.2 Income tax expense

	2020	2019
Current tax	**6,946,968**	1,009,782
Deferred tax charged to profit or loss	**22,952,791**	38,029,705
	29,899,759	39,039,487
Deferred tax charged to other comprehensive income	**285,544**	1,362,575
	30,185,303	40,402,062

24.3 Provision for zakat and income tax

	Zakat	Income tax	Total
1 January 2020	8,073,931	(16,456,719)	**(8,382,788)**
Provision	9,630,889	6,946,968	**16,577,857**
Prior year adjustments	425,763	-	**425,763**
Payments	(8,499,694)	-	**(8,499,694)**
31 December 2020	9,630,889	(9,509,751)	**121,138**
1 January 2019	10,247,738	(12,055,339)	**(1,807,601)**
Provision	8,073,931	1,009,782	**9,083,713**
Payment	(10,247,738)	-	**(10,247,738)**
Advance tax payments	-	(5,411,162)	**(5,411,162)**
31 December 2019	8,073,931	(16,456,719)	**(8,382,788)**

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24.4 Temporary differences

	2020	2019
Profit before zakat and income tax	**334,029,989**	277,533,214
Temporary differences:		
- Impairment losses	**-**	19,270,462
- Share in net results of a subsidiary	**(33,505,077)**	(9,364,723)
- Provision for slow moving inventories	**3,247,522**	9,532,895
- Allowance for ECL	**551,492**	17,145,265
- Employee benefit obligations, net	**32,825,245**	36,777,729
- Leases liabilities	**(2,351,378)**	(2,646,060)
- Exempt income	**(11,298,908)**	(26,773,613)
- Other	**17,774,439**	(1,478,155)
Adjusted profit for the year for zakat purposes	**341,273,324**	319,997,014
Add: disallowed financial costs	**4,518,429**	86,913,100
Less: depreciation	**(223,112,363)**	(385,841,970)
Less: provisions	**(49,912,538)**	-
Less: other disallowed expenses	**(4,518,429)**	(11,231,966)
Adjusted profit for the year	**68,248,423**	9,836,178

Income tax liability on adjusted net income of the foreign shareholder and effective shareholding of Saudi Aramco is calculated at the applicable corporate income tax rate of 20%.

24.5 Status of certificates and final assessments

(i) The GAZT has finalized the Company's zakat and income tax assessments for the years through 2014. Assessments for the years 2015 through 2019 are currently under review by the GAZT.

(ii) The Company has obtained zakat and income tax certificates for the years through 2019.

24.6 Deferred tax liability

Movement in deferred taxes is attributable to:

	Employee benefit obligations	Property and equipment	Other	Total
1 January 2019	24,237,104	(138,935,833)	1,691,235	(113,007,494)
(Charged)/credited to statement of comprehensive Income	642,871	(43,421,321)	3,386,170	(39,392,280)
31 December 2019	24,879,975	(182,357,154)	5,077,405	(152,399,774)
(Charged)/credited to statement of comprehensive Income	436,416	(20,938,857)	(2,735,894)	**(23,238,335)**
31 December 2020	**25,316,391**	**(203,296,011)**	**2,341,511**	**(175,638,109)**

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

25 Related party transactions and balances

During 2020, based on an updated assessment carried out by TAQA's management and approved by TAQA's Board of Directors, the controlling party of TAQA and consequently the Company was concluded to be the Government of the Kingdom of Saudi Arabia (the "KSA Government").

Related parties comprise the shareholders, directors, associated companies, other entities controlled by the KSA Government ("Government controlled entities") and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

Following are the significant transactions entered into by the Company with its related parties:

Nature of transactions and relationship	**2020**	**2019**
Revenue from an associated company	**887,938,051**	836,196,075
Rental income from a subsidiary and an associated company	**723,500**	932,700
Costs charged by a subsidiary and an associated company	**207,534,760**	180,522,750
Zakat and income tax reimbursable by shareholders	**17,003,620**	9,083,713

Significant transactions with Government controlled entities for the year ended 31 December 2020 comprise of revenues amounting to Saudi Riyals 1.5 billion.

(a) Key management personnel compensation:

	2020	**2019**
Salaries and other short-term employee benefits	**13,087,705**	12,638,069
Post-employment benefits	**540,405**	520,479
	13,628,110	13,158,548

Board of directors' fee for the year ended 31 December 2020 was Saudi Riyals 0.3 million (2019: Saudi Riyals 0.1 million).

(b) Advance to a related party

Advance to a related party at 31 December 2020 and 2019 represents advances provided to Ofsat.

(c) Due from a related party

During 2020, the Company agreed with SMESA to settle certain disputed invoices receivable from SMESA for services provided in 2019, for Saudi Riyals 19.9 million. The remaining invoice amounts of Saudi Riyals 19.9 million were provided for during 2019 and were written-off in 2020. Also see Note 13.

Significant balances due from Government controlled entities as at 31 December 2020 amounted to Saudi Riyals 153.2 million.

(d) Due to related parties

	2020	**2019**
Ofsat	**25,9483,46**	51,263,697
SPS	**-**	12,055,339
Arabian Geophysical & Surveying Company	**-**	60,292
	25,948,346	63,379,328

ARABIAN DRILLING COMPANY
(A limited liability company)
Notes to the special purpose financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

26 Contingencies and commitments

(i) At 31 December 2020, the Company was contingently liable for bank guarantees and letters of credit issued in the normal course of the Company's business amounting to Saudi Riyals 276.3 million and 80.2 million respectively (2019: Saudi Riyals 253.9 million and Saudi Riyals 91.7 million respectively).

(ii) The capital expenditure contracted by the Company but not incurred till 31 December 2020 was approximately Saudi Riyals 98.7 (2019: Saudi Riyals 137.9 million).

ARABIAN DRILLING COMPANY
(A MIXED CLOSED JOINT STOCK COMPANY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REPORT

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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Independent auditor's report to the shareholders of Arabian Drilling Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabian Drilling Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the 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, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

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.

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 scepticism 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.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

27 March 2022

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Revenue	4	**2,198,968,512**	2,532,566,580
Cost of revenue	5	**(1,730,058,350)**	(2,009,468,847)
Gross profit		**468,910,162**	523,097,733
Impairment on financial assets	12	**-**	(551,492)
General and administrative expenses	6	**(105,357,168)**	(123,800,061)
Other operating (expenses) income, net		**(163,593)**	1,142,554
Operating profit		**363,389,401**	399,888,734
Finance costs	7	**(37,986,037)**	(62,717,145)
Finance income	13	**1,343,244**	927,214
Finance costs - net		**(36,642,793)**	(61,789,931)
Profit before zakat and income tax		**326,746,608**	338,098,803
Zakat expense	23	**(20,625,593)**	(10,478,495)
Income tax expense	23	**(32,537,510)**	(33,546,730)
Profit for the year		**273,583,505**	294,073,578
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Fair value changes in derivative liability	19	**10,692,130**	(2,033,595)
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	21	**12,743,228**	2,577,062
Impact of deferred tax	23	**(1,307,393)**	(264,561)
		11,435,835	2,312,501
Other comprehensive income for the year		**22,127,965**	278,906
Total comprehensive income for the year		**295,711,470**	294,352,484
Earnings per share			
Basic and diluted	28	**121.2**	130.2

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2021	2020
Assets			
Non-current assets			
Property and equipment	8	**5,258,884,037**	5,562,212,065
Intangible assets	9	**5,517,718**	11,131,654
Right-of-use assets	10	**1,791,683**	4,756,548
Mobilization cost	4	**2,384,589**	4,971,840
Total non-current assets		**5,268,578,027**	5,583,072,107
Current assets			
Inventories	11	**143,329,355**	157,929,529
Trade and other receivables	12	**695,841,969**	522,539,871
Advance income tax	23	**14,191,177**	7,371,607
Mobilization cost	4	**2,587,251**	20,538,699
Cash and cash equivalents	13	**411,621,031**	639,520,647
		1,267,570,783	1,347,900,353
Non-current assets held for sale	14	**7,792,608**	11,036,625
Total current assets		**1,275,363,391**	1,358,936,978
Total assets		**6,543,941,418**	6,942,009,085
Equity and liabilities			
Equity			
Share capital	15, 30	**22,580,000**	22,580,000
Additional paid-in capital	16, 30	**97,420,800**	97,420,800
Statutory reserve	17, 30	**18,883,921**	18,883,921
Fair value reserve against derivative liability	19	**(4,440,687)**	(15,132,817)
Retained earnings		**4,057,324,636**	3,788,414,614
Total equity		**4,191,768,670**	3,912,166,518
Liabilities			
Non-current liabilities			
Murabaha borrowings	1, 20	**835,617,643**	1,377,434,235
Lease liabilities	10	**-**	1,810,289
Employee benefit obligations	21	**250,965,672**	252,653,375
Mobilization revenue	4	**5,965,052**	14,423,771
Deferred tax liability	23	**207,377,297**	178,226,943
Trade payable	22	**15,189,800**	38,381,200
Derivative liability	19	**4,440,687**	15,132,817
Total non-current liabilities		**1,319,556,151**	1,878,062,630

(continued)

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2021	2020
Current liabilities			
Trade and other payables	22	**456,551,216**	462,536,803
Current portion of murabaha borrowings	1, 20	**545,472,803**	639,622,887
Current portion of lease liabilities	10	**1,847,313**	3,028,614
Mobilization revenue	4	**8,458,721**	36,538,901
Zakat payable	23	**20,286,544**	10,052,732
Total current liabilities		**1,032,616,597**	1,151,779,937
Total liabilities		**2,352,172,748**	3,029,842,567
Total equity and liabilities		**6,543,941,418**	6,942,009,085

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Industrialization and Energy Services Company - TAQA ("TAQA")	Services Petroliers Schlumberger S.A. ("SPS")	Total
Share capital				
31 December 2021 and 2020	15	11,515,800	11,064,200	**22,580,000**
Additional paid-in capital				
31 December 2021 and 2020	16	49,684,608	47,736,192	**97,420,800**
Statutory reserve				
31 December 2021 and 2020	17	9,630,800	9,253,121	**18,883,921**
Fair value reserve against derivative liability				
1 January 2020		(6,680,603)	(6,418,619)	(13,099,222)
Fair value changes		(1,037,133)	(996,462)	(2,033,595)
31 December 2020	19	(7,717,736)	(7,415,081)	(15,132,817)
Fair value changes		5,452,986	5,239,144	**10,692,130**
31 December 2021	19	(2,264,750)	(2,175,937)	**(4,440,687)**
Retained earnings				
1 January 2020		1,856,449,083	1,644,464,537	3,500,913,620
Profit before zakat and income tax		172,430,390	165,668,413	338,098,803
Zakat and income tax	23	(11,998,392)	(32,026,833)	(44,025,225)
Profit for the year		160,431,998	133,641,580	294,073,578
Zakat and income tax reimbursable by shareholders	24	10,056,652	6,946,970	17,003,622
Gain on remeasurements of employee benefit obligations, net of deferred tax		1,302,316	1,010,185	2,312,501
Dividends	18	(13,203,240)	(12,685,467)	(25,888,707)
31 December 2020		2,015,036,809	1,773,377,805	3,788,414,614
Profit before zakat and income tax		166,640,770	160,105,838	**326,746,608**
Zakat and income tax	23	(22,099,891)	(31,063,212)	**(53,163,103)**
Profit for the year		144,540,879	129,042,626	**273,583,505**
Zakat and income tax reimbursable by shareholders	24	19,187,966	1,884,976	**21,072,942**
Gain on remeasurements of employee benefit obligations, net of deferred tax		6,439,812	4,996,023	**11,435,835**
Dividends	18	(18,962,952)	(18,219,308)	**(37,182,260)**
31 December 2021		2,166,242,514	1,891,082,122	**4,057,324,636**
31 December 2021		**2,234,808,972**	**1,956,959,698**	**4,191,768,670**
31 December 2020		**2,078,150,281**	**1,834,016,237**	**3,912,166,518**

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Cash flows from operating activities			
Profit before zakat and income tax		**326,746,608**	338,098,803
Adjustments for:			
Depreciation	8, 10	**542,025,945**	726,524,803
Amortization	9	**5,763,826**	5,751,335
Provision for employee benefit obligations	21	**33,333,988**	34,144,832
Gain on disposal of property and equipment		**(3,269,254)**	-
Gain on disposal of assets held for sale		**(1,150,613)**	-
Amortization of mobilization cost	4	**20,538,699**	39,667,435
Amortization of mobilization revenue	4	**(36,538,899)**	(65,483,134)
Finance costs	7	**37,986,037**	62,717,145
Finance income		**(1,343,244)**	(927,214)
Changes in working capital:			
Decrease in inventories		**14,600,174**	9,382,969
(Increase) decrease in trade and other receivables		**(191,456,225)**	499,795,128
Increase in trade and other payables		**(26,913,719)**	(123,324,696)
Cash generated from operations		**720,323,323**	1,526,347,406
Mobilization cost paid	4	**-**	(3,936,862)
Mobilization revenue received	4	**-**	15,000,000
Zakat and income tax paid	23	**(21,905,900)**	(8,944,978)
Employee benefit obligations paid	21	**(22,197,142)**	(26,539,921)
Finance costs paid		**(42,468,892)**	(66,889,516)
Finance income received		**1,343,244**	927,214
Net cash inflow from operating activities		**635,094,633**	1,435,963,343
Cash flows from investing activities			
Payments for purchase of property and equipment	8	**(247,627,282)**	(486,322,112)
Payments for purchase of intangible assets	9	**(149,890)**	-
Proceeds from disposal of property and equipment		**7,370,875**	-
Proceeds from disposal of assets held for sale		**12,187,238**	-
Net cash outflow from investing activities		**(228,219,059)**	(486,322,112)
Cash flows from financing activities			
Repayment of long-term murabaha borrowings		**(631,593,302)**	(508,314,866)
Principal element of lease payments	10	**(3,181,888)**	(3,133,433)
Dividends paid	18	**-**	(19,945,126)
Net cash outflow from financing activities		**(634,775,190)**	(531,393,425)
Net change in cash and cash equivalents		**(227,899,616)**	418,247,806
Cash and cash equivalents at beginning of year		**639,520,647**	221,272,841
Cash and cash equivalents at end of year	13	**411,621,031**	639,520,647

(continued)

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Non-cash operating, investing and financing activities:			
Zakat and income tax reimbursable from shareholders	24	**21,072,942**	17,003,622
Zakat and income tax reimbursable from shareholders adjusted against their respective dividends	18	**28,026,714**	20,084,780
Assets transferred from property and equipment to assets held for sale	14	**7,792,608**	-

The accompanying notes are an integral part of these consolidated financial statements.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Arabian Drilling Company (the "Company" or "ADC") and its subsidiary (collectively the "Group") are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

The accompanying consolidated financial statements include the financial information of the Company and its wholly owned Saudi Arabian subsidiary, Ofsat Arabia LLC ("Ofsat"). Ofsat is a limited liability company incorporated in the Kingdom of Saudi Arabia.

The Company was a limited liability company licensed under foreign investment license number 2031047241 issued by the Ministry of Investment on 18 Dhu-al-Hijja 1424 H (13 December 2003) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423 H (16 April 2002) and was converted to a closed joint stock company as explained in the paragraph below. The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

During 2021, the Board of Directors ("BoD") of the Company approved to repay its murabaha borrowings amounting to Saudi Riyals 1.6 billion through issuance of an unsecured private Sukuk and a new borrowing facility of Saudi Riyals 1.1 billion and Saudi Riyals 500.0 million, respectively. As part of the requirements for issuance of Sukuk, the Company filed for regulatory approvals for converting its legal status from a limited liability company to a mixed closed joint stock company, which were obtained on 30 December 2021. Subsequent to 31 December 2021, the Company obtained the regulatory approvals required for the Sukuk issuance. Based on offers received for Sukuk subscription, the BoD of the Company resolved and the Company issued Sukuk amounting to Saudi Riyals 2.0 billion, which will be repayable in 2027. Management of the Company is currently assessing the optimum utilization of the additional financing raised through the Sukuk issuance and also considering whether a new borrowing facility, as approved by the BoD of the Company will be required.

Furthermore, during 2021, the BoD of the Company recommended to the shareholders to initiate legal formalities to file for the Company's request for an Initial Public Offering ("IPO Application") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As of the date of approval of the consolidated financial statements for the year ended 31 December 2021, the Company is in the process of preparing the IPO Application.

Subsequent to 30 June 2020, the Group witnessed a decline in its revenues and results primarily because of reduction in exploration and production activity of its customers due to lower demand of crude oil as a result of the spread of COVID-19 virus. This resulted in the drilling services contracts for certain of the Company's rigs to be suspended and the day rates for certain rigs to be reduced. Consequently, this resulted in a decrease in the Group's revenue and profitability for the year ended 31 December 2021. The Group management believes that the situation has improved in the later part of 2021 and is expected to improve further during 2022 as:

- confirmation from customers to resume operations of certain rigs on suspended contracts were received towards the end of 2021;
- high tendering activity for new land and off-shore rigs has been noted since mid 2021; and
- management of the Group expects production capacity of its customers to increase which will result in higher drilling activities in the Kingdom of Saudi Arabia.

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors on 17 March 2022.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies

The principal accounting policies applied in the preparation of consolidated financial statements of the Group are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

(b) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except for derivative liability (see Note 2.12.3 for basis of measurement), lease liabilities (refer Note 2.10 for basis of measurement) and employee benefit obligations (Note 2.21 for basis of measurement).

(c) New and amended standards adopted by the Group

The Group has applied the following standards and interpretations for the first time for the year ended 31 December 2021:

- Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39; and
- Covid-19 related Rent Concessions - Amendments to IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

(a) Subsidiary

These consolidated financial statements comprise the financial statements of the Company and its subsidiary. 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:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the consolidated financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals unless otherwise stated)

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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-off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if any. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary;
- 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; and
- Reclassifies the parent's share of component previously recognised in other comprehensive income 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.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue from performance of services is recognized in the accounting period in which the services are rendered. The Group has concluded that it is the principal in its revenue arrangement since it is the prime obligor and is exposed to credit risk.

The Group recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on the following five step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

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The Group has following revenue streams:

(a) Drilling revenue

Revenue against drilling services is recorded over time as the customers simultaneously receive and consume the related benefit, using the output method where the customers sign the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customers upon acknowledgement of the receipt of services.

The Company allocates the transaction price, based on stand-alone selling prices, related to its drilling revenue which contain both leasing and service elements. Revenue from such leasing arrangements is recorded in the statement of comprehensive income on a straight-line basis over the period of the respective lease. Also see Note 2.10.

(b) Rig move revenue

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

(c) Mobilization revenue

Mobilization revenue represents fee for initial mobilization of rigs. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenues are recognized as contract liabilities and are amortized over the term of the respective contracts with customers for drilling services.

(d) Catering and other revenue

The Group provides catering services and sub-contracts its manpower to its customers based on pre-agreed unit rates. Revenue against such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the time sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The Group's cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in USD, management believes that USD is the currency with the most influence over the Group's operations. Accordingly, USD is considered to be the functional currency of the Group.

Management has elected to prepare these consolidated financial statements in Saudi Riyals which is the Group's presentation currency and believes that there is no translation impact on these consolidated financial statements since Saudi Riyal is pegged to USD.

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(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2.5 Current vs 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 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.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as non-current.

2.6 Finance income

Finance income is measured using the effective interest rate method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.7 Zakat and income taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Group is subject to zakat attributable to the effective Saudi shareholding and to income tax attributable to the effective foreign shareholding in the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the consolidated statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company with zakat allocated to the Saudi shareholder and income tax allocated to the foreign shareholder.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Arabian Oil Company ("Saudi Aramco") are subject to the Saudi Arabian Income Tax Law of 2004. Consequently, the Group is also subject to income tax for the indirect shareholding of 2.33% of Saudi Aramco, being a shareholder in TAQA, which is charged to profit or loss and allocated to TAQA in the consolidated statement of changes in equity.

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Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. The depreciation expense is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. Major spare parts and stand-by equipment qualify for recognition as property and equipment when the Group expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised as construction-in-progress. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of construction-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of construction-in-progress intended by management. Construction-in-progress is not depreciated.

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2.9 Intangible assets

Intangible assets represent software cost and are amortized using straight-line method over their estimated useful life of seven years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

2.10 Leases

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party quotations which are adjusted to reflect changes in financing conditions since such quotations were received; and
- makes adjustments specific to the lease, for example lease term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

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The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

Group as a lessor

The Group provides drilling services to its customers which include both leasing and service components.

Lease revenue

Leasing portion of drilling services is recognized in revenues on a straight-line basis over the lease term. The drilling contracts do not include any variable lease payments or escalation clauses.

Mobilization costs - initial direct costs of the lessor

Mobilization costs represent cost incurred on the initial mobilization of rigs. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services. Accordingly, mobilization costs are recognized as initial direct costs of the lessor and are amortized over the term of the respective drilling contracts.

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2.11 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

2.12 Financial instruments

2.12.1 Financial assets

(i) Classification

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and derecognition

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.12.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

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2.12.3 Derivative financial instruments and hedge accounting

Derivatives are measured at fair value and any related transaction costs are recognised in profit or loss. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in a separate reserve shown under equity. The amount accumulated in equity is reclassified to profit or loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and quantitative assessment of effectiveness at each reporting date. The ineffective portion, if material, is recognized in profit or loss, within other operating income / (loss).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.12.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.13 Impairment of financial and non-financial assets

2.13.1 Impairment of non-financial assets

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 asset's or Cash Generating Unit's ("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 profit or loss in those expense categories consistent with the function of the impaired asset.

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2.13.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

For trade receivables and contract assets, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Group's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected rate of increase in inflation for the upcoming year in the Kingdom of Saudi Arabia as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due.

Other financial assets are considered to have low credit risk; therefore, 12 months expected loss model is used for impairment assessment.

2.14 Inventories

Inventories principally represent spare parts and consumables, which are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognised immediately in profit or loss. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.15 Trade receivables

Trade receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

2.16 Cash and cash equivalents

For the purpose of consolidated statement of financial position and presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity.

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2.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.19 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

2.21 Employee benefit obligations

The Company and its subsidiary operate their respective single post-employment benefit schemes of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which are based on employee's most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of liability at discount rates used are recognized immediately in profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

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2.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The BoD of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BoD has been identified as being the CODM.

Segment results reported to the Group's CODM represent revenue and cost of revenue and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.23 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

2.24 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

(a) Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see Note 21.

(b) Impairment of property and equipment

Management, in accordance with the accounting policy stated in 2.13.1, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of services rendered by the Group;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected future cash inflows; and
- A current-period operating loss combined with a history and forecast of operating or cash flow losses.

Management determines the recoverable amount of the assets based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

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Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group. Management has performed a sensitivity analysis around the estimates. There are no estimates to a which a reasonably possible change may cause the carrying value to exceed the recoverable value of the assets resulting in an impairment loss in future periods.

(c) Useful lives of property and equipment

The Group management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 8 for the change in estimated useful lives of the property and equipment. At 31 December 2021, if the useful lives increased or decreased by 10% against the current useful lives with all other variables held constant, the profit for the year would have been higher or lower by Saudi Riyals 53.9 million.

4 Revenue

	Note	2021	2020
Drilling revenue	4.1	**1,650,200,556**	1,962,704,174
Rig move revenue		**423,862,975**	451,920,281
Mobilization revenue	4.2	**36,538,899**	65,483,134
Catering and other revenue		**88,366,082**	52,458,991
		2,198,968,512	2,532,566,580

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year except for contractual retentions in certain cases , and accordingly, the transaction prices are not adjusted for the time value of money. As per the contracts with the customers, there is no financing, non-cash consideration and consideration payable to customer involved in the transaction price.

4.1 Drilling revenue

Revenue from drilling activities was recognised in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components. Lease component of future revenue from drilling activities under such contracts is as follows:

	2021	2020
Within one year	**640,406,513**	1,054,382,499
Within two years	**281,204,471**	367,655,612
Within three years	**144,175,410**	165,557,996
Within four years	**44,655,469**	42,796,013
Within five years	**44,655,469**	-
Later than five years	**44,655,469**	-
	1,199,752,801	1,630,392,120

The expected revenue is based on signed agreements with the customers and expected utilization rates of the underlying rigs.

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4.2 Mobilization revenue

	2021	2020
Revenue		
1 January	**331,133,250**	699,751,503
Additions	**-**	15,000,000
Adjustment on completion of related contracts	**-**	(383,618,253)
31 December	**331,133,250**	331,133,250
Accumulated amortization		
1 January	**(280,170,578)**	(598,305,697)
Additions	**(36,538,899)**	(65,483,134)
Adjustment on completion of related contracts	**-**	383,618,253
31 December	**(316,709,477)**	(280,170,578)
	14,423,773	50,962,672

Mobilization revenue is presented in the accompanying consolidated statement of financial position as follows:

	2021	2020
Current portion	**8,458,721**	36,538,901
Non-current portion	**5,965,052**	14,423,771
	14,423,773	50,962,672

4.3 Mobilization cost

	2021	2020
Cost		
1 January	**193,906,283**	343,339,209
Additions	**-**	3,936,862
Adjustment on completion of related contracts	**-**	(153,369,788)
31 December	**193,906,283**	193,906,283
Accumulated amortization		
1 January	**(168,395,744)**	(282,098,097)
Additions	**(20,538,699)**	(39,667,435)
Adjustment on completion of related contracts	**-**	153,369,788
31 December	**(188,934,443)**	(168,395,744)
	4,971,840	25,510,539

Mobilization cost is presented in the accompanying consolidated statement of financial position as follows:

	2021	2020
Current portion	**2,587,251**	20,538,699
Non-current portion	**2,384,589**	4,971,840
	4,971,840	25,510,539

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5 Cost of revenue

	Note	2021	2020
Salaries, wages and benefits		**908,929,819**	945,858,394
Depreciation	8, 10	**533,930,217**	718,170,854
Maintenance and material consumed		**92,289,377**	103,565,425
Transportation		**119,551,643**	148,886,285
Mobilization cost	4.2	**20,538,699**	39,667,435
Non-refundable advances against property and equipment written off		**6,708,705**	-
Rig move expense		**5,821,358**	22,716,934
Provision for inventory obsolescence	11	**14,664,002**	3,247,522
Other		**27,624,530**	27,355,998
		1,730,058,350	2,009,468,847

6 General and administrative expenses

	Note	2021	2020
Salaries and benefits		**78,288,685**	77,082,391
Professional services		**3,644,110**	6,233,638
Depreciation	8, 10	**8,095,728**	8,353,949
Amortization	9	**5,763,826**	5,751,335
Office supplies		**3,281,859**	2,995,961
Other		**6,282,960**	23,382,787
		105,357,168	123,800,061

7 Finance costs

	Note	2021	2020
Finance costs on murabaha loans		**26,568,856**	46,773,353
Finance costs on derivatives		**11,040,891**	14,331,780
Finance costs on lease liabilities	10	**190,298**	247,338
Other finance costs		**185,992**	1,364,674
		37,986,037	62,717,145

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8 Property and equipment

	1 January	Additions	Disposals/ transfers	31 December
2021				
Cost				
Land	88,236,250	-	-	**88,236,250**
Buildings and portable cabins	86,182,702	-	13,202,967	**99,385,669**
Rig, machinery and equipment	10,888,783,683	-	(62,566,129)	**10,826,217,554**
Furniture, fixtures and office equipment	106,039,479	-	4,979,476	**111,018,955**
Vehicles and trucks	159,020,083	-	(13,348,329)	**145,671,754**
Construction-in-progress	142,309,018	247,627,282	(258,415,653)	**131,520,647**
	11,470,571,215	247,627,282	(316,147,668)	**11,402,050,829**
Accumulated depreciation and impairment				
Buildings and portable cabins	(20,274,939)	(2,504,810)	-	**(22,779,749)**
Rig, machinery and equipment	(5,724,930,441)	(509,615,121)	294,686,331	**(5,939,859,231)**
Furniture, fixtures and office equipment	(55,575,108)	(8,683,654)	-	**(64,258,762)**
Vehicles and trucks	(107,578,662)	(18,257,495)	9,567,107	**(116,269,050)**
	(5,908,359,150)	(539,061,080)	304,253,438	**(6,143,166,792)**
Net book value	5,562,212,065			**5,258,884,037**

During 2021, the Company's in-house technical team concluded on the results of a detailed exercise to re-assess the useful lives of rigs, machinery and equipment, considering multiple factors including technological changes, historical usage of similar assets and other recent changes in the market conditions. As a result of such exercise, the Company's management revised the useful life range of its rigs, machinery and equipment from "7 - 20 years" to "7 - 30 years" with effect from 1 January 2021, considering it to be a change in accounting estimate. As a result, the depreciation charge and cost of revenue for the year ended 31 December 2021 decreased by Saudi Riyals 199.2 million and the profit and total comprehensive income for the year ended 31 December 2021 increased by Saudi Riyals 199.2 million compared to what it would have been using the previous useful life range.

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	1 January	Additions	Disposals/ transfers	31 December
2020				
Cost				
Land	88,236,250	-	-	88,236,250
Buildings and portable cabins	86,182,702	-	-	86,182,702
Rig, machinery and equipment	10,351,408,275	-	537,375,408	10,888,783,683
Furniture, fixtures and office equipment	105,967,235	-	72,244	106,039,479
Vehicles and trucks	159,020,083	-	-	159,020,083
Construction-in-progress	193,434,558	486,322,112	(537,447,652)	142,309,018
	10,984,249,103	486,322,112	-	11,470,571,215
Accumulated depreciation and impairment				
Buildings and portable cabins	(17,927,516)	(2,347,423)	-	(20,274,939)
Rig, machinery and equipment	(5,035,681,767)	(689,248,674)	-	(5,724,930,441)
Furniture, fixtures and office equipment	(47,696,410)	(7,878,698)	-	(55,575,108)
Vehicles and trucks	(83,489,603)	(24,089,059)	-	(107,578,662)
	(5,184,795,296)	(723,563,854)	-	(5,908,359,150)
Net book value	5,799,453,807			5,562,212,065

a) Rig, machinery and equipment represents assets under contracts with customers for drilling services which include both leasing and service components.

b) Construction-in-progress at 31 December 2021 principally represent costs incurred on procurement and construction of certain rigs and ongoing related certifications and overhauling which are expected to complete in 2022.

c) Depreciation is charged to profit or loss over the following estimated economic useful lives:

	Number of years
• Buildings and portable cabins	10 - 33
• Rig, machinery and equipment	7 - 30
• Furniture, fixtures and office equipment	7
• Vehicles and trucks	4 - 7

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9 Intangible assets

	2021	2020
Cost		
1 January	**28,739,623**	28,739,623
Additions	**149,890**	-
31 December	**28,889,513**	28,739,623
Accumulated amortization		
1 January	**(17,607,969)**	(11,856,634)
Additions	**(5,763,826)**	(5,751,335)
31 December	**(23,371,795)**	(17,607,969)
Net book value		
31 December	**5,517,718**	11,131,654

10 Leases

10.1 Right-of-use assets

	Vehicles	Warehouse	Total
2021			
Cost			
1 January and 31 December	8,657,521	1,937,119	**10,594,640**
Accumulated depreciation			
1 January	(4,947,154)	(890,938)	**(5,838,092)**
Depreciation for the year	(2,473,577)	(491,288)	**(2,964,865)**
31 December	(7,420,731)	(1,382,226)	**(8,802,957)**
Net book value			
At 31 December 2021	**1,236,790**	**554,893**	**1,791,683**
Useful lives	4 years	5 years	

	Vehicles	Warehouse	Total
2020			
Cost			
1 January and 31 December	8,657,521	1,937,119	10,594,640
Accumulated depreciation			
1 January	(2,473,577)	(403,566)	(2,877,143)
Depreciation for the year	(2,473,577)	(487,372)	(2,960,949)
31 December	(4,947,154)	(890,938)	(5,838,092)
Net book value			
At 31 December 2020	3,710,367	1,046,181	4,756,548
Useful lives	4 years	5 years	

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10.2 Lease liabilities

Lease liabilities

	2021	**2020**
At 1 January	**4,838,903**	7,724,998
Repayments	**(3,181,888)**	(3,133,433)
	1,657,015	4,591,565
Finance costs	**190,298**	247,338
At 31 December	**1,847,313**	4,838,903

Lease liabilities are presented in the consolidated statement of financial position as follows:

Non-current portion	**-**	1,810,289
Current maturity	**1,847,313**	3,028,614
	1,847,313	4,838,903

Future finance costs on lease liabilities amounts to Saudi Riyals 0.01 million.

i) Amounts recognised in profit and loss

	2021	**2020**
Depreciation charge of right-of-use assets		
Cost of revenue	**2,545,628**	2,545,628
General and administrative expenses	**419,237**	415,321
	2,964,865	2,960,949

ii) Amounts presented in the consolidated statement of cash flows

The total cash outflow for leases is Saudi Riyals 3.2 million (2020: Saudi Riyals 3.1 million).

iii) Additional information about the Group's leasing activities

The Group has leases in respect of certain warehouses and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor.

iv) Other amounts recognised in profit and loss

Expense relating to short-term leases for the year ended 31 December 2021 amounted to Saudi Riyals 1.4 million (2020: Saudi Riyals 1.3 million).

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11 Inventories

	2021	2020
Spare parts and supplies, held not for sale	**166,116,821**	178,228,395
Less: provision for slow-moving inventories	**(22,787,466)**	(20,298,866)
	143,329,355	157,929,529

Movement in provision for slow-moving inventories is as follows:

	2021	2020
1 January	**20,298,866**	20,243,255
Additions	**14,664,002**	3,247,522
Write-offs	**(12,175,402)**	(3,191,911)
31 December	**22,787,466**	20,298,866

12 Trade and other receivables

	Note	2021	2020
Trade receivables:			
Related parties	24	**569,385,217**	378,859,163
Third parties		**-**	683,709
Unbilled		**66,668,247**	98,886,057
Retentions receivable		**4,229,415**	2,506,687
Less: allowance for ECL		**(3,434,431)**	(10,254,746)
		636,848,448	470,680,870
Prepayments		**27,171,108**	24,167,402
Zakat and income tax reimbursable from shareholders	24	**26,928,249**	22,157,806
Other		**4,894,164**	5,533,793
		695,841,969	522,539,871

Movement in allowance for ECL is as follows:

	Note	2021	2020
1 January		**10,254,746**	30,652,305
Impairment		**-**	551,492
Write-offs	24	**(6,820,315)**	(20,949,051)
31 December		**3,434,431**	10,254,746

(a) The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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(b) Customers are allowed credit period from the invoice date ranging from 30 to 60 days based on the agreed terms with the customer. These relate to a number of corporate customers from whom there is no history of default. The aging analysis of these trade receivable is as follows:

	2021	**2020**
Not due	**472,868,623**	368,250,702
Over due up to 90 days	**128,496,893**	87,113,897
Over due for a period between 91 to 180 days	**22,147,480**	2,507,627
Over due for a period between 181 to 365 days	**16,645,683**	462,742
Over due for a period between 366 to 730 days	**124,200**	17,156,991
Over 730 days	**-**	5,443,657
	640,282,879	480,935,616

The Group considers any trade receivables overdue for more than 730 days to be in default and are accordingly fully provided for. The loss rates for the other ageing brackets are immaterial. Also see Note 25.

(c) The other classes within trade and other receivable do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable.

(d) The Group does not hold any collateral as security.

(e) Unbilled trade receivables as at 31 December 2020 related to balances against fully satisfied performance obligations which were billed in January 2021. Unbilled trade receivables as at 31 December 2021 relate to balances against fully satisfied performance obligations which are expected to be billed in January 2022. No revenue was recognised in during 2021 or 2020 from performance obligations satisfied (or partially satisfied) in previous reporting periods.

13 Cash and cash equivalents

	2021	**2020**
Cash in hand	**62,119**	90,530
Cash at bank	**411,558,912**	469,430,117
Murabaha deposits	**-**	170,000,000
	411,621,031	639,520,647

Murabaha deposits are held with a local bank and yield finance income at prevailing market rates based on Saudi Interbank Offered Rate ("SIBOR"). Murabaha deposits are denominated in Saudi Riyals.

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14 Non-current assets held for sale

During 2019, based on the approval of the Company's Board of Directors, the Company initiated a plan to actively seek buyers for two rigs previously classified under construction work-in-progress. Accordingly, as at 31 December 2019, such rigs were classified as non-current assets held for sale and are carried at their fair value less cost to sell resulting in a write-down of Saudi Riyals 19.3 million to their carrying values in 2019. The carrying amounts, fair values less cost to sell and the resultant accumulated impairment losses as at 31 December 2020 were as follows:

Rig number	Carrying amount	Fair value less cost to sell	Impairment losses
AD 90	15,108,906	5,518,313	9,590,593
AD 100	15,198,181	5,518,312	9,679,869
	30,307,087	11,036,625	19,270,462

During 2021, AD 90 and AD 100 were sold for Saudi Riyals 12.5 million. Furthermore, during 2021, the Company's Board of Directors approved to sell and the Company initiated a plan to actively seek buyers for another two rigs. Accordingly, as at 31 December 2021, such rigs are classified as non-current assets held for sale and are carried at their fair value less cost to sell which is estimated to approximate their carrying value.

The carrying amounts, fair values less cost to sell and the resultant impairment losses as at 31 December 2021 are as follows:

Rig number	Carrying amount	Fair value less cost to sell	Impairment losses
AD 08	5,789,202	5,789,202	-
AD 40	2,003,406	2,003,406	-
	7,792,608	**7,792,608**	**-**

15 Share capital

The share capital of the Company as of 31 December 2021 consisted of 2,258,000 shares stated at Saudi Riyals 10 per share (2020: 225,800 shares at Saudi Riyals 100 per share) held as follows:

Shareholder	Country of incorporation	Shareholding percentage 2021	2020
TAQA	Kingdom of Saudi Arabia	**51**	51
SPS	France	**49**	49
		100	100

As part of the conversion of the Company to a mixed closed joint stock company, on 30 December 2021, the total number of shares increased from 225,800, stated at Saudi Riyals 100 per share, to 2,258,000 shares, stated at Saudi Riyals 10 per share.

Also see Note 30.

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16 Additional paid-in capital

This represents funding provided by the Company's shareholders in proportion to their shareholding. Subsequent to 31 December 2021, the shareholders resolved to convert the amount to share capital. Also see Note 30.

17 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to maintain a statutory reserve equal to a minimum of 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

18 Dividends payable

	2021	**2020**
1 January	-	14,141,199
Dividend approved in shareholders' meeting held on 18 March 2021	**37,182,260**	-
Dividend approved in shareholders' meeting held on 26 May 2020	-	25,888,707
Dividends paid	-	(19,945,126)
Dividends adjusted against zakat and income tax reimbursable	**(28,026,714)**	(20,084,780)
31 December	**9,155,546**	-

19 Fair value of derivative liability

The Group entered into an interest rate swap arrangement designated as a cash flow hedge instrument to cover cash flow fluctuations arising from variable interest rate murabaha loans. The interest rate swap results in the Group receiving floating Saudi Interbank Offer Rate ("SIBOR") while paying a fixed rate of interest under certain conditions. As per Group policy, derivative instruments are not used for trading or speculative purposes. Movement in the fair value of derivative liability for the years ended 31 December 2021 and 2020 is as follows:

	Note	**2021**	**2020**
1 January		**15,132,817**	13,099,222
Add: fair value changes during the year		**348,761**	16,365,375
Less: reclassified to profit or loss	7	**(11,040,891)**	(14,331,780)
Net change presented in other comprehensive income		**(10,692,130)**	2,033,595
31 December		**4,440,687**	15,132,817

The fair value of the derivative is calculated using a discounted cash flow analysis and is accordingly categorized in Level 3 of the fair value hierarchy. Significant market data used as input for such valuation includes interest rate (SIBOR) curves. At 31 December 2021, the impact of a reasonably expected change in the interest rate (SIBOR) curves is not expected to be material.

At 31 December 2021, the carrying amount and fair value of the hedging instrument is Saudi Riyals 4.4 million (2020: Saudi Riyals 15.1 million). There were no transfers between levels of fair value hierarchy during the period.

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20 Murabaha borrowings

	2021	2020
Murabaha borrowings	**1,377,434,235**	2,009,027,537
Add: accrued finance costs	**3,656,211**	8,029,585
	1,381,090,446	2,017,057,122
Less: current portion presented under current liabilities	**(545,472,803)**	(639,622,887)
	835,617,643	1,377,434,235

The Group has long-term murabaha facility agreements with local commercial banks with a total facility of Saudi Riyals 3.7 billion to finance the capital expenditure and working capital requirements of the Company. These loans bear finance costs based on prevailing market rates which are based on SIBOR. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2021 through 2026. The loans are secured principally by the assignment of trade receivables amounting to Saudi Riyals 296.1 million (2020: Saudi Riyals 382.0 million). The covenants of the borrowing facilities require the Company to maintain certain level of financial conditions and certain other requirements. At 31 December 2021 and 2020, the Group was in compliance of the covenants of the borrowing facilities.

During 2020, ADC signed an amendment agreement with one of the commercial banks to reschedule loan repayments amounting to Saudi Riyals 295.5 million from 2020 and 2021 to 2021 and 2022. The rescheduling did not result in substantial modification of the terms of the loan agreement.

Maturity profile of murabaha borrowings

	2021	2020
Years ending 31 December:		
2021	-	639,622,887
2022	**545,472,803**	549,129,014
2023	**437,849,786**	430,537,364
2024	**176,785,714**	176,785,714
2025	**176,785,714**	176,785,714
2026	**44,196,429**	44,196,429
	1,381,090,446	2,017,057,122

Also see Note 1.

21 Employee benefit obligations

21.1 General description of the plan

The Group operates a defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2021 and 2020.

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21.2 Movement in net liability recognized in the consolidated statement of financial position

	2021	2020
1 January	**252,653,375**	247,625,526
Current service cost	**27,569,631**	28,285,943
Interest expense	**5,764,357**	5,858,889
Benefits due but not paid	**(81,321)**	-
Payments	**(22,197,142)**	(26,539,921)
Remeasurements	**(12,743,228)**	(2,577,062)
31 December	**250,965,672**	252,653,375

21.3 Amounts recognised in the consolidated statement of comprehensive income

	2021	2020
Current service cost	**27,569,631**	28,285,943
Interest expense	**5,764,357**	5,858,889
Total amount recognised in profit or loss	**33,333,988**	34,144,832
Remeasurements		
Gain due to experience adjustments	**(12,743,228)**	(2,577,062)
Total amount recognised in other comprehensive income	**(12,743,228)**	(2,577,062)

21.4 Key actuarial assumptions

	2021	2020
Discount rate	**2.8%**	2.5%
Salary growth rate	**2.0%**	2.0%

21.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(18,539,102)	21,340,986
Salary growth rate	1%	1%	22,201,670	(19,656,779)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligations.

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21.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 8 years (2020: 6 to 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2021	**27,142,351**	**27,052,305**	**80,178,279**	**518,573,959**	**652,946,894**
31 December 2020	28,554,356	28,119,175	79,200,270	508,145,593	644,019,394

22 Trade and other payables

	Note	2021	2020
Trade payable		**159,129,729**	219,004,705
Less: non-current trade payable		**(15,189,800)**	(38,381,200)
		143,939,929	180,623,505
Accrued expenses		**271,082,048**	260,828,978
Dividends payable	18	**9,155,546**	-
Value added tax payable		**26,800,977**	20,312,656
Other		**5,572,716**	771,664
		456,551,216	462,536,803

23 Zakat and income tax matters

23.1 Components of zakat base

The Company and its Subsidiary file their zakat and income tax declaration on an unconsolidated basis. The significant components of the zakat base of the Company, under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year, long-term murabaha borrowings and adjusted profit, less deduction for the net book value of property and equipment and certain other items.

23.2 Income tax expense

	2021	2020
Current tax	**4,694,549**	9,085,112
Deferred tax charged to profit or loss	**27,842,961**	24,461,618
	32,537,510	33,546,730
Deferred tax charged to other comprehensive income	**1,307,393**	264,561
	33,844,903	33,811,291

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23.3 Provision for zakat and income tax

	Zakat	Income tax	Total
1 January 2021	10,052,732	(7,371,607)	2,681,125
Provision	8,842,335	3,688,192	**12,530,527**
Adjustment relating to prior year	11,783,258	1,006,357	**12,789,615**
	20,625,593	4,694,549	**25,320,142**
Payment	(10,391,781)	(11,514,119)	**(21,905,900)**
31 December 2021	**20,286,544**	**(14,191,177)**	**6,095,367**
1 January 2020	8,547,787	(16,241,444)	(7,693,657)
Provision	10,052,732	9,085,112	19,137,844
Adjustment relating to prior year	181,916	-	181,916
	10,234,648	9,085,112	19,319,760
Payment	(8,729,703)	(215,275)	(8,944,978)
31 December 2020	10,052,732	(7,371,607)	2,681,125

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
Profit before zakat and income tax	**326,746,608**	338,098,803
Income tax rate applicable to the Group	**20%**	20%
Effective shareholding subject to income tax	**51.33%**	51.33%
Income tax on effective shareholding	**33,543,807**	34,709,223
Reconciliation:		
Tax effect of permanent disallowances	**(1,006,297)**	(1,162,493)
	32,537,510	33,546,730

23.5 Status of certificates and final assessments

(i) The ZATCA has finalized the Company's zakat and income assessments for the years through 2014. During 2021, the Company received additional zakat assessments for the years 2015 through 2018 amounting to Saudi Riyals 11.0 million. The Company has filed an appeal against such assessment with General Secretariat of the Tax Committees ("GSTC") and the final outcome of such appeal is pending as of the date of approval of these consolidated financial statements. Management of the Company believes that the provision for zakat payable as at 31 December 2021 is adequate and no additional zakat liability will arise upon the ultimate resolution of such appeal. Assessments for the years 2019 and 2020 are currently under review by the ZATCA.

(ii) The ZATCA has issued additional zakat and income tax assessments related to Ofsat for certain years which are under various stages of appeals. The Group management believes that no material liability will arise upon the ultimate resolution of such appeals and accordingly no provision for such additional assessments has been made in the accompanying 2020 consolidated financial statements. Ofsat's assessments for the years 2013 through 2020 are currently under review by the ZATCA.

(iii) The Group has obtained zakat and income tax certificates for the years through 2020.

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23.6 Deferred taxes

The balance comprises deductible/(taxable) temporary differences attributable to:

	2021	**2020**
Employee benefit obligations	**250,965,672**	258,681,368
Property and equipment	**(2,300,611,355)**	(2,058,263,798)
Other	**26,221,897**	38,294,921
Taxable temporary differences - net	**(2,023,423,786)**	(1,761,287,509)
Deferred tax liability	**(207,377,297)**	(178,226,943)

Movement in deferred taxes is attributable to:

	Employee benefit obligations	**Property and equipment**	**Other**	**Total**
1 January 2021	25,935,172	(207,298,549)	3,136,434	**(178,226,943)**
Charged to consolidated statement of comprehensive income	(173,245)	(28,861,967)	(115,142)	**(29,150,354)**
31 December 2021	**25,761,927**	**(236,160,516)**	**3,021,292**	**(207,377,297)**
1 January 2020	25,421,236	(184,794,328)	5,872,328	(153,500,764)
Charged to consolidated statement of comprehensive income	513,936	(22,504,221)	(2,735,894)	(24,726,179)
31 December 2020	25,935,172	(207,298,549)	3,136,434	(178,226,943)

Movement in deferred tax balances is primarily due temporary differences arising during the year on movement in provisions and depreciation of property, plant and equipment. Management of the Group does not expect the pattern in which such differences arise to significantly change in 2022 and accordingly, the change in deferred tax balances during the year ended 31 December 2022 are expected to be in line with the years ended 31 December 2021 and 2020.

24 Related party transactions and balances

The immediate controlling party of the Group is TAQA and the ultimate controlling party of the Group is the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Related parties comprise the shareholders, directors, other entities controlled by the KSA Government ("Government controlled entities"), associated companies (representing entities other than Government controlled entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholders), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

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(a) *Following are the significant transactions entered into by the Group with its related parties:*

Nature of transactions	**2021**	**2020**
Revenue from Government controlled entities	**1,330,731,856**	1,640,568,833
Revenue from associated companies	**859,962,387**	883,461,611
Rent income from an associated company	**750,000**	723,500
Costs charged by an associated company	**12,049,111**	21,104,503
Zakat and income tax reimbursable by shareholders	**21,072,942**	17,003,622

The transactions are based on terms agreed per agreements between the Group and the respective related parties.

(b) *Key management personnel compensation:*

	2021	**2020**
Salaries and other short-term employee benefits	**13,546,545**	14,330,476
Post-employment benefits	**573,144**	576,780
	14,119,689	14,907,256

Board of directors' fee for the year ended 31 December 2021 was Saudi Riyals 0.3 million (2020: Saudi Riyals 0.3 million).

(c) *Due from related parties*

	2021	**2020**
Schlumberger Middle East S.A. ("SMESA"), an affiliate	**306,881,138**	248,996,715
Saudi Aramco, Government controlled entity	**230,710,658**	100,104,917
Al-Khafji Joint Operations, Government controlled entity	**29,727,159**	28,782,771
TAQA Well Services ("TWS"), an affiliate	**2,066,262**	974,760
TAQA, a shareholder	**19,187,966**	10,056,652
SPS, a shareholder	**7,740,283**	12,101,154
	596,313,466	401,016,969

- During 2020, the Group agreed with SMESA to settle certain disputed invoices receivable from SMESA for services provided in 2019, for Saudi Riyals 19.9 million. The remaining invoice amounts of Saudi Riyals 19.9 million were provided for during 2019 and were written-off in 2020. Also see Note 12.

- As at 31 December 2021, allowance for ECL against balances due from related parties amounted to Saudi Riyals 3.4 million (2020: Saudi Riyals 10.3 million). Also see Note 12.

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25 Financial risk management

25.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

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. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Market risk

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals and USD. Since Saudi Riyal is pegged to USD, the Group believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms.

The Group manages its cash flow interest rate risk by using variable-to-fixed interest rate swaps. The Group raises certain of its long-term murabaha borrowings at variable rates and swaps them into fixed rates. During 2021, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2021, the Group had variable interest bearing financial liabilities of Saudi Riyals 1.4 billion (2020: Saudi Riyals 2.0 billion), and had the interest rate varied by 1% with all the other variables held constant, net change in profit before zakat and income tax would have been approximately Saudi Riyals 14.2 million (2020: Saudi Riyals 18.3 million) lower/higher, mainly as a result of lower/higher financial charges on floating rate borrowings.

The Group's receivables and payables are carried at amortised cost and are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

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(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

(a) Credit risk

Credit risk arises from cash and cash equivalents carried at amortised cost, as well as credit exposures to customers, including outstanding receivables.

Cash and cash equivalents represent low credit risk as they are placed with reputable local banks.

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. At 31 December 2021, 99.4% (2020: 99.8%) of trade receivables were due from three customers. Also see Note 24. Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a few customers for whom there is no recent history of default.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables:

31 December 2021	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Not due	**0.4%**	**476,067,379**	**2,056,302**
Over due up to 90 days	**0.5%**	**125,533,545**	**660,473**
Over due for a period between 91 to 180 days	**1.3%**	**22,105,914**	**284,636**
Over due for a period between 181 to 365 days	**2.6%**	**16,451,841**	**426,979**
Over due for a period between 366 to 730 days	**4.9%**	**124,200**	**6,041**
Over 730 days	**-**	**-**	**-**
	0.5%	**640,282,879**	**3,434,431**

31 December 2020	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Not due	0.4%	368,250,702	1,522,823
Over due up to 90 days	1.0%	87,113,897	840,708
Over due for a period between 91 to 180 days	3.6%	2,507,627	90,626
Over due for a period between 181 to 365 days	4.5%	462,742	20,858
Over due for a period between 366 to 730 days	13.6%	17,156,991	2,336,075
Over 730 days	100.0%	5,443,657	5,443,656
	2.1%	480,935,616	10,254,746

Management believes that it is not exposed to significant credit risk.

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(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below summarises the Group's financial liabilities based on undiscounted contractual cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	1 to 2 Years	2 to 5 years	Over 5 years	Total
2021					
Derivatives					
Fair value of derivative liabilities	-	-	4,440,687	-	**4,440,687**
Financial liabilities					
Murabaha borrowings	545,472,803	437,849,786	353,571,428	44,196,429	**1,381,090,446**
Lease liabilities	1,847,313	-	-	-	**1,847,313**
Future interest on murabaha borrowings	24,381,156	11,024,949	7,654,882	-	**43,060,987**
Trade and other payables	428,162,463	15,189,800	-	-	**443,352,263**
	999,863,735	**464,064,535**	**361,226,310**	**44,196,429**	**1,869,351,009**

	Less than one year	1 to 2 Years	2 to 5 years	Over 5 years	Total
2020					
Derivatives					
Fair value of derivative liabilities	-	-	15,132,817	-	15,132,817
Financial liabilities					
Murabaha borrowings	639,622,887	549,129,014	784,108,792	44,196,429	2,017,057,122
Lease liabilities	3,028,614	1,810,289	-	-	4,838,903
Future interest on murabaha borrowings	48,369,555	24,105,453	18,372,055	27,782	90,874,845
Trade and other payables	442,224,147	23,191,400	15,189,800	-	480,605,347
	1,133,245,203	598,236,156	817,670,647	44,224,211	2,593,376,217

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25.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings which includes long-term murabaha borrowings and lease liabilities as shown in the consolidated statement of financial position, less cash and cash equivalents. Total equity is as per the consolidated statement of financial position.

The gearing ratios at 31 December were as follows:

	2021	2020
Total borrowings (including lease liabilities)	**1,382,937,759**	2,021,896,025
Less: cash and cash equivalents	**(411,621,031)**	(639,520,647)
Net debt	**971,316,728**	1,382,375,378
Total equity	**4,191,768,670**	3,912,166,518
Gearing ratio	**23%**	35%

Net debt reconciliation

	2021	2020
As at 1 January	**1,382,375,378**	2,315,996,516
Finance costs	**37,986,037**	62,717,145
Finance costs paid	**(42,468,893)**	(66,889,516)
Repayments of long term borrowings	**(631,593,302)**	(508,314,866)
Principal element of lease payments	**(3,181,888)**	(3,133,433)
Other changes in cash and cash equivalents	**228,199,396**	(418,000,468)
As at 31 December	**971,316,728**	1,382,375,378

25.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's management.

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When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2021 and 2020, the fair values of the Group's current financial instruments, except for cash flow hedge at fair value through other comprehensive income, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Cash flow hedge at fair value through other comprehensive income is carried at fair value which is assessed by management to fall in Level 3 of the fair value hierarchy.

26 Segment reporting

The Group operates principally in the following two operating segments:

(i) *Provision of drilling and related services through land rigs; and*
(ii) *Provision of drilling and related services through off-shore rigs.*

Selected financial information for the year ended 31 December 2021, summarized by the above operating segments, is as follows:

a) *Segment results*

For the year ended 31 December 2021

	Land rigs	**Off-shore rigs**	**Other**	**Total**
Revenue from external customers	1,643,421,712	552,534,887	3,011,913	**2,198,968,512**
Intersegment revenue	-	-	170,672,508	**170,672,508**
Intersegment cost	(170,672,508)	-	-	**(170,672,508)**
Cost of revenue	(1,190,591,888)	(399,976,444)	(139,490,018)	**(1,730,058,350)**
Segment results	**282,157,316**	**152,558,443**	**34,194,403**	**468,910,162**

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For the year ended 31 December 2020

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,874,917,402	653,464,365	4,184,813	2,532,566,580
Intersegment revenue	-	-	183,646,511	183,646,511
Intersegment cost	(183,646,511)	-	-	(183,646,511)
Cost of revenue	(1,389,926,896)	(473,884,553)	(145,657,398)	(2,009,468,847)
Segment results	301,343,995	179,579,812	42,173,926	523,097,733

Reconciliation of segment results with profit before zakat and income tax

	For the year ended 31 December 2021	2020
Total results for reporting segments	**468,910,162**	523,097,733
Impairment losses on financial assets	-	(551,492)
General and administrative expenses	**(105,357,168)**	(123,800,061)
Other operating (expenses) income, net	**(163,593)**	1,142,554
Finance costs	**(36,642,793)**	(61,789,931)
Profit before zakat and income tax	**326,746,608**	338,098,803

b) Segment assets

As at 31 December 2021

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property and equipment	2,596,936,058	2,115,676,372	230,815,123	-	**4,943,427,553**
Mobilization cost	-	4,971,840	-	-	**4,971,840**
Inventories	75,914,340	32,580,903	3,899,673	-	**112,394,916**
Trade receivables	486,576,546	144,742,398	64,995,331	(60,294,993)	**636,019,282**
Non-current assets held for sale	-	7,792,608	-	-	**7,792,608**
	3,159,426,944	**2,305,764,121**	**299,710,127**	**(60,294,993)**	**5,704,606,199**

As at 31 December 2020

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property and equipment	2,708,977,315	2,149,742,055	259,676,825	-	5,118,396,195
Mobilization cost	16,456,071	9,054,468	-	-	25,510,539
Inventories	98,520,931	36,186,075	6,152,701	-	140,859,707
Trade receivables	369,019,945	108,691,233	66,347,305	(39,849,589)	504,208,894
Non-current assets held for sale	-	11,036,625	-	-	11,036,625
	3,192,974,262	2,314,710,456	332,176,831	(39,849,589)	5,800,011,960

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Reconciliation of segment assets with total assets

	As at 31 December	
	2021	**2020**
Total segment assets	**5,704,606,199**	5,800,011,960
Unallocated property and equipment (mainly comprising corporate assets)	**315,456,484**	443,815,870
Intangible assets	**5,517,718**	11,131,654
Right-of-use assets	**1,791,683**	4,756,548
Cash and cash equivalents	**411,621,031**	639,520,647
Other	**104,948,303**	42,772,406
Total assets	**6,543,941,418**	6,942,009,085

c) *Other information*

Revenue for the year ended 31 December 2021 is derived from four external customers (2020: four external customers), details of which are as follows:

	For the year ended 31 December	
	2021	**2020**
Saudi Arabian Oil Company	**1,191,444,046**	1,507,141,530
SMESA	**859,962,387**	883,461,611
Al Khafji Joint Operations	**139,287,810**	133,427,303
Other	**8,274,269**	8,536,136
	2,198,968,512	2,532,566,580

27 Categories of financial instruments

The financial instruments by category are detailed in the table below:

	2021	**2020**
Financial assets at amortised cost		
Trade and other receivables	**672,779,292**	508,627,215
Cash and cash equivalents	**411,621,031**	639,520,647
	1,084,400,323	1,148,147,862
Financial liabilities at fair value through other comprehensive income		
Fair value of cash flow hedge	**4,440,687**	15,132,817

	2021	**2020**
Financial liabilities at amortised cost		
Long-term murabaha borrowings	**1,381,090,446**	2,017,057,122
Lease liabilities	**1,847,313**	4,838,903
Trade and other payables	**443,352,263**	480,605,347
	1,826,290,022	2,502,501,372

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28 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period. As the Company does not have any potential dilutive shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 December	
	2021	**2020**
Profit attributable to the shareholders of the Company	**273,583,505**	294,073,578
Weighted average number of ordinary shares for basic and diluted earnings per share	**2,258,000**	2,258,000
Basic and diluted earnings per share	**121.2**	130.2

The weighted average number of shares for the year ended 31 December 2020 have been adjusted to reflect the increase in total number of shares as explained in Note 15.

29 Contingencies and commitments

(i) At 31 December 2021, banks have issued guarantees on behalf of the Group amounting to Saudi Riyals 483.3 million (31 December 2020: Saudi Riyals 276.3 million) and the Group has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 38.3 million (31 December 2020: Saudi Riyals 91.7 million).

(ii) The capital expenditure contracted by the Group but not incurred till 31 December 2021 was approximately Saudi Riyals 118.4 million (2020: Saudi Riyals 188.0 million).

(iii) Also see Note 23.

30 Subsequent events

a) Subsequent to 31 December 2021, the shareholders of the Company in their meeting held on 17 March 2022:

(i) resolved to increase the Company's share capital to Saudi Riyals 800.0 million by transferring Saudi Riyals 680.0 million from retained earnings and Saudi Riyals 97.4 million from additional paid-in capital. The proposed increase in share capital is subject to certain regulatory approvals;

(ii) resolved to transfer Saudi Riyals 221.1 million from retained earnings to statutory reserve; and

(iii) approved dividends amounting to Saudi Riyals 37.4 million.

b) Also see Note 1.

ARABIAN DRILLING COMPANY
(A MIXED CLOSED JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

pwc

Report on review of condensed consolidated interim financial information

To the Board of Directors of Arabian Drilling Company
(A Mixed Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Arabian Drilling Company (the "Company") and its subsidiary (together the "Group"), which comprise the condensed consolidated statement of financial position as at 30 June 2022, and the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes.

Management's responsibility for the condensed consolidated interim financial information

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), "Engagements to Review Historical Financial Statements", as endorsed in the Kingdom of Saudi Arabia ("ISRE 2400 (Revised)"). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia. Accordingly, we do not express an audit opinion on this condensed consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

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Report on review of condensed consolidated interim financial information (continued)

Emphasis of matter

We draw attention to Note 2.1 to the accompanying condensed consolidated interim financial information, which describes that the condensed consolidated interim financial information as at and for the six-month period ended 30 June 2022 has been prepared by the management for inclusion in the Company's initial public offering document to be filed with the Capital Market Authority and should not be used for any other purpose. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

11 September 2022

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June 2022 (Unaudited)	2021 (Unaudited)
Revenue	5	**1,251,427,500**	1,055,812,705
Cost of revenue	6	**(907,842,422)**	(847,473,940)
Gross profit		**343,585,078**	208,338,765
General and administrative expenses	7	**(74,498,979)**	(54,897,552)
Other operating income, net		**3,791,410**	6,875,731
Operating profit		**272,877,509**	160,316,944
Finance costs	8	**(40,963,831)**	(21,426,647)
Finance income	11	**6,222,222**	-
Finance costs - net		**(34,741,609)**	(21,426,647)
Profit before zakat and income tax		**238,135,900**	138,890,297
Zakat expense		**(7,387,650)**	(5,783,250)
Income tax expense		**(23,094,505)**	(13,272,467)
Profit for the period		**207,653,745**	119,834,580
Other comprehensive income for the period			
Item that may be reclassified to profit or loss			
Fair value changes in derivatives		**4,930,796**	5,550,345
Total comprehensive income for the period		**212,584,541**	125,384,925
Earnings per share			
Basic and diluted	17	**2.60**	1.50

The accompanying notes are an integral part of these condensed consolidated interim financial information.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Assets			
Non-current assets			
Property and equipment	9	**5,194,868,904**	5,258,884,037
Intangible assets		**2,630,668**	5,517,718
Right-of-use assets		**277,446**	1,791,683
Mobilization cost		**10,300,980**	2,384,589
Total non-current assets		**5,208,077,998**	5,268,578,027
Current assets			
Inventories		**170,983,441**	143,329,355
Trade and other receivables	10	**608,424,575**	695,841,969
Advance income tax		**12,400,222**	14,191,177
Mobilization cost		**3,612,425**	2,587,251
Derivative asset		**490,109**	-
Cash and cash equivalents	11	**2,536,706,556**	411,621,031
		3,332,617,328	1,267,570,783
Non-current assets held for sale		**8,902,428**	7,792,608
Total current assets		**3,341,519,756**	1,275,363,391
Total assets		**8,549,597,754**	6,543,941,418
Equity and liabilities			
Equity			
Share capital	14	**800,000,000**	22,580,000
Additional paid-in capital	14	**-**	97,420,800
Statutory reserve	14	**240,000,000**	18,883,921
Fair value reserve against derivatives		**490,109**	(4,440,687)
Retained earnings	14	**3,326,415,057**	4,057,324,636
Total equity		**4,366,905,166**	4,191,768,670
Liabilities			
Non-current liabilities			
Borrowings	12	**2,730,381,691**	835,617,643
Employee benefit obligations		**263,268,512**	250,965,672
Mobilization revenue		**12,967,137**	5,965,052
Deferred tax liability		**214,833,476**	207,377,297
Trade payable	13	**-**	15,189,800
Derivative liability		**-**	4,440,687
Total non-current liabilities		**3,221,450,816**	1,319,556,151

(continued)

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current liabilities			
Trade and other payables	13	**437,023,246**	456,551,216
Current portion of long-term borrowings	12	**489,256,461**	545,472,803
Current portion of lease liabilities		**257,779**	1,847,313
Mobilization revenue		**5,295,623**	8,458,721
Zakat payable		**29,408,663**	20,286,544
Total current liabilities		**961,241,772**	1,032,616,597
Total liabilities		**4,182,692,588**	2,352,172,748
Total equity and liabilities		**8,549,597,754**	6,543,941,418

The accompanying notes are an integral part of these condensed consolidated interim financial information.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Industrialization and Energy Services Company - TAQA ("TAQA")	Services Petroliers Schlumberger S.A. ("SPS")	Total
Share capital				
1 January 2021 (Audited), 30 June 2021 (Unaudited), and 1 January 2022 (Audited)		11,515,800	11,064,200	22,580,000
Transferred from additional paid-in capital	14	49,684,608	47,736,192	**97,420,800**
Transferred from retained earnings	14	346,799,592	333,199,608	**679,999,200**
30 June 2022 (Unaudited)		**408,000,000**	**392,000,000**	**800,000,000**
Additional paid-in capital				
1 January 2021 (Audited), 30 June 2021 (Unaudited) and 1 January 2022 (Audited)		49,684,608	47,736,192	97,420,800
Transferred to share capital	14	(49,684,608)	(47,736,192)	**(97,420,800)**
30 June 2022 (Unaudited)		**-**	**-**	**-**
Statutory reserve				
1 January 2021 (Audited), 30 June 2021 (Unaudited) and 1 January 2022 (Audited)		9,630,800	9,253,121	18,883,921
Transferred from retained earnings	14	112,769,200	108,346,879	**221,116,079**
30 June 2022 (Unaudited)		**122,400,000**	**117,600,000**	**240,000,000**
Fair value reserve against derivative				
1 January 2021 (Audited)		(7,717,736)	(7,415,081)	(15,132,817)
Fair value changes		2,830,676	2,719,669	5,550,345
30 June 2021 (Unaudited)		(4,887,060)	(4,695,412)	(9,582,472)
1 January 2022 (Audited)		(2,264,750)	(2,175,937)	(4,440,687)
Fair value changes		2,514,706	2,416,090	**4,930,796**
30 June 2022 (Unaudited)		**249,956**	**240,153**	**490,109**

(continued)

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Industrialization and Energy Services Company - TAQA ("TAQA")	Services Petroliers Schlumberger S.A. ("SPS")	Total
Retained earnings				
1 January 2021 (Audited)		2,015,036,809	1,773,377,805	3,788,414,614
Profit before zakat and income tax		70,834,051	68,056,246	138,890,297
Zakat and income tax		(6,384,583)	(12,671,134)	(19,055,717)
Profit for the period		64,449,468	55,385,112	119,834,580
Dividends (Saudi Riyals 164.7 per share)	18	(18,962,952)	(18,219,307)	(37,182,259)
30 June 2021 (Unaudited)		2,060,523,325	1,810,543,610	3,871,066,935
1 January 2022 (Audited)		2,166,242,514	1,891,082,122	4,057,324,636
Profit before zakat and income tax		121,449,309	116,686,591	**238,135,900**
Zakat and income tax		(7,387,650)	(23,094,505)	**(30,482,155)**
Profit for the period		114,061,659	93,592,086	**207,653,745**
Transferred to share capital	14	(346,799,592)	(333,199,608)	**(679,999,200)**
Transferred to statutory reserve	14	(112,769,200)	(108,346,879)	**(221,116,079)**
Dividends (Saudi Riyals 16.6 per share)	18	(19,098,503)	(18,349,542)	**(37,448,045)**
30 June 2022 (Unaudited)		**1,801,636,878**	**1,524,778,179**	**3,326,415,057**
30 June 2022 (Unaudited)		**2,332,286,834**	**2,034,618,332**	**4,366,905,166**
30 June 2021 (Unaudited)		2,126,467,473	1,873,901,711	4,000,369,184

The accompanying notes are an integral part of these condensed consolidated interim financial information.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		**238,135,900**	138,890,297
Adjustments for:			
Depreciation		**240,538,343**	276,265,604
Amortization		**2,887,050**	2,875,668
Provision for employee benefit obligations		**21,817,314**	16,317,015
Gain on disposal of property and equipment		**(1,628,951)**	(617,944)
Amortization of mobilization cost		**2,470,247**	14,650,846
Amortization of mobilization revenue		**(7,411,014)**	(24,566,194)
Finance costs - net		**34,741,609**	21,426,647
Changes in working capital:			
(Increase) decrease in inventories		**(27,654,084)**	450,853
Decrease in trade and other receivables		**62,280,098**	1,387,941
Decrease in trade and other payables		**(50,924,857)**	(73,417,215)
Cash generated from operations		**515,251,655**	373,663,518
Mobilization cost paid		**(11,411,812)**	-
Mobilization revenue received		**11,250,000**	-
Zakat and income tax paid		**(8,284,902)**	(19,983,173)
Employee benefit obligations paid		**(9,514,474)**	(10,729,387)
Finance costs paid		**(12,992,594)**	(20,522,691)
Financial income received		**6,222,222**	-
Net cash inflow from operating activities		**490,520,095**	322,428,267
Cash flows from investing activities			
Payments for purchase of property and equipment	9	**(178,053,864)**	(116,536,564)
Proceeds from disposal of property and equipment		**3,632,358**	12,187,500
Net cash outflow from investing activities		**(174,421,506)**	(104,349,064)
Cash flows from financing activities			
Proceeds from Sukuk issuance	12	**1,978,983,724**	-
Repayment of long-term borrowings		**(168,407,254)**	(285,796,651)
Principal elements of lease payments		**(1,589,534)**	(1,194,000)
Net cash inflow (outflow) from financing activities		**1,808,986,936**	(286,990,651)
Net change in cash and cash equivalents		**2,125,085,525**	(68,911,448)
Cash and cash equivalents at beginning of period		**411,621,031**	639,520,647
Cash and cash equivalents at end of period		**2,536,706,556**	570,609,199
Non-cash investing and financing activities			
Assets transferred from property and equipment to assets held for sale	9	**3,113,227**	-
Balances due from shareholders adjusted against their respective dividends	10	**26,928,249**	-

The accompanying notes are an integral part of these condensed consolidated interim financial information.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Arabian Drilling Company (the "Company" or "ADC") and its subsidiary (collectively the "Group") are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

The accompanying condensed consolidated interim financial information includes the financial information of the Company and its wholly owned Saudi Arabian subsidiary, Ofsat Arabia LLC ("Ofsat"). Ofsat is a limited liability company incorporated in the Kingdom of Saudi Arabia.

The Company is a mixed closed joint stock company licensed under foreign investment license number 2031047241 issued by the Ministry of Investment on 18 Dhu-al-Hijja 1424 H (13 December 2003) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423 H (16 April 2002). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

During 2021, the Board of Directors ("BoD") of the Company recommended to the shareholders to initiate legal formalities to file for the Company's request for an Initial Public Offering ("IPO Application") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. On 29 June 2022, the Capital Market Authority ("CMA") approved the Company's IPO Application. CMA's approval is valid for a period of six months from the date of such approval and will be deemed as cancelled if the offering and listing of the Company's shares are not completed within this six-month period.

During 2022, certain previously suspended rigs become operational and day rates for certain rigs increased, resulting in an increase in the Group's revenue, cost of revenue and operating expenses for the six-month period ended 30 June 2022.

The accompanying condensed consolidated interim financial information were authorised for issuance by the Company's Board of Directors on 11 September 2022.

2 Significant accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information of the Group are consistent with those of the previous financial year.

2.1 Basis and purpose of preparation

This condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This condensed consolidated interim financial information has been prepared for inclusion in the Company's initial public offering document to be filed with the Capital Market Authority.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 Seasonality of operations

There are no seasonal changes that may affect the operations of the Group.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

2.3 New and amended standards adopted by the Group

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the condensed consolidated interim financial information of the Group and accordingly the Group did not have to change its accounting policies or make any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. Management of the Group is currently assessing the impact, if any, of such new accounting standards and interpretations on the Group's current or future reporting periods and on foreseeable future transactions.

3 Fair value of assets and liabilities

As at 30 June 2022 and 31 December 2021, the fair values of the Group's current financial instruments, except for cash flow hedge at fair value through other comprehensive income, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Cash flow hedge at fair value through other comprehensive income is carried at fair value which is assessed by management to fall in Level 3 of the fair value hierarchy.

4 Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial information requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed consolidated interim financial information from those that were applied and disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

5 Revenue

	For the six-month period ended 30 June	
	2022 (Unaudited)	**2021 (Unaudited)**
Drilling revenue	**1,009,149,204**	799,043,037
Rig move revenue	**193,723,514**	190,481,787
Mobilization revenue	**7,411,014**	24,566,193
Catering and other revenue	**41,143,768**	41,721,688
	1,251,427,500	1,055,812,705

Revenue from drilling activities was recognised in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

6 Cost of revenue

	For the six-month period ended 30 June	
	2022 (Unaudited)	**2021 (Unaudited)**
Salaries, wages and benefits	**518,150,600**	433,800,826
Depreciation	**236,492,202**	272,367,462
Transportation services	**54,724,320**	46,170,162
Mobilisation cost	**2,470,247**	14,572,330
Other	**96,005,053**	80,563,160
	907,842,422	847,473,940

7 General and administrative expenses

	For the six-month period ended 30 June	
	2022 (Unaudited)	**2021 (Unaudited)**
Salaries and benefits	**48,296,680**	39,970,044
Professional services	**1,947,938**	1,284,230
Depreciation	**3,981,316**	3,991,617
Amortisation	**2,883,539**	2,782,193
Office supplies	**6,311,873**	5,923,167
Other	**11,077,633**	946,301
	74,498,979	54,897,552

8 Finance costs

	For the six-month period ended 30 June	
	2022 (Unaudited)	**2021 (Unaudited)**
Finance costs on murabaha borrowings	**14,552,896**	14,485,644
Finance costs on Sukuk	**23,666,317**	-
Finance costs on derivatives	**2,267,561**	6,215,453
Other	**477,057**	725,550
	40,963,831	21,426,647

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

9 Property and equipment

	1 January	Additions	Disposals/ transfers	30 June
2022 (Unaudited)				
Cost				
Land	88,236,250	-	-	**88,236,250**
Buildings and portable cabins	99,385,669	-	-	**99,385,669**
Rig, machinery and equipment	10,826,217,554	-	78,529,872	**10,904,747,426**
Furniture, fixtures and office equipment	111,018,955	-	4,617,268	**115,636,223**
Vehicles	145,671,754	-	(1,305,180)	**144,366,574**
Construction-in-progress	131,520,647	178,053,864	(93,442,548)	**216,131,963**
	11,402,050,829	178,053,864	(11,600,588)	**11,568,504,105**
Accumulated depreciation and impairment				
Buildings and portable cabins	(22,779,749)	(1,353,796)	-	**(24,133,545)**
Rig, machinery and equipment	(5,939,859,231)	(229,186,888)	7,182,181	**(6,161,863,938)**
Furniture, fixtures and office equipment	(64,258,762)	(6,215,203)	-	**(70,473,965)**
Vehicles	(116,269,050)	(2,199,883)	1,305,180	**(117,163,753)**
	(6,143,166,792)	(238,955,770)	8,487,361	**(6,373,635,201)**
Net book value	5,258,884,037			**5,194,868,904**

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	1 January	Additions	Disposals/ transfers	31 December
2021 (Audited)				
Cost				
Land	88,236,250	-	-	88,236,250
Buildings and portable cabins	86,182,702	-	13,202,967	99,385,669
Rig, machinery and equipment	10,888,783,683	-	(62,566,129)	10,826,217,554
Furniture, fixtures and office equipment	106,039,479	-	4,979,476	111,018,955
Vehicles	159,020,083	-	(13,348,329)	145,671,754
Construction-in-progress	142,309,018	247,627,282	(258,415,653)	131,520,647
	11,470,571,215	247,627,282	(316,147,668)	11,402,050,829
Accumulated depreciation and impairment				
Buildings and portable cabins	(20,274,939)	(2,504,810)	-	(22,779,749)
Rig, machinery and equipment	(5,724,930,441)	(509,615,121)	294,686,331	(5,939,859,231)
Furniture, fixtures and office equipment	(55,575,108)	(8,683,654)	-	(64,258,762)
Vehicles	(107,578,662)	(18,257,495)	9,567,107	(116,269,050)
	(5,908,359,150)	(539,061,080)	304,253,438	(6,143,166,792)
Net book value	5,562,212,065			5,258,884,037

a) Construction-in-progress at 30 June 2022 principally represent costs incurred on procurement and construction of certain rigs which are expected to complete in 2022.

b) Rig, machinery and equipment represents asset under contracts with customers for the drilling services which include both leasing and service component.

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

10 Trade and other receivables

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade receivables	**589,843,535**	636,053,464
Retentions receivable	**1,998,534**	4,229,415
Less: Allowance for Expected Credit Loss ("ECL")	**(3,434,431)**	(3,434,431)
	588,407,638	636,848,448
Prepayments	**10,419,550**	27,171,108
Zakat and income tax reimbursable from shareholders	**-**	26,928,249
Other	**9,597,387**	4,894,164
	608,424,575	695,841,969

11 Cash and cash equivalents

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cash in hand	**102,690**	62,119
Cash at bank	**936,603,866**	411,558,912
Time deposits	**1,600,000,000**	-
	2,536,706,556	411,621,031

Time deposits represent placements with commercial banks for a period of less than three months and yield finance income at 2.0%.

12 Long-term borrowings

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Murabaha borrowings	12.1	**1,209,026,981**	1,377,434,235
Sukuk	12.2	**2,000,000,000**	-
Add: accrued finance costs		**31,627,447**	3,656,211
		3,240,654,428	1,381,090,446
Less: unamortized transaction costs	12.2	**(21,016,276)**	-
		3,219,638,152	1,381,090,446
Less: current portion presented under current liabilities		**(489,256,461)**	(545,472,803)
		2,730,381,691	835,617,643

ARABIAN DRILLING COMPANY
(A mixed closed joint stock company)
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

12.1 Murabaha borrowings

ADC has long-term murabaha facility agreements with four Saudi commercial banks with a total facility of Saudi Riyals 3.6 billion to finance the capital expenditure and working capital requirements of ADC. These loans bear finance costs based on prevailing market rates which are based on Saudi Inter-Bank Offer Rates ("SIBOR") plus an applicable margin. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2022 through 2026. The loans are secured principally by assignment of certain contract receivables. The covenants of the borrowing facilities require ADC to maintain certain level of financial conditions and certain other requirements. At 30 June 2022, ADC was in compliance with the covenants of the borrowing facilities.

12.2 Sukuk

During the six-month period ended 30 June 2022, ADC obtained the regulatory approvals required for the Sukuk issuance and issued Sukuk amounting to Saudi Riyals 2.0 billion, which management of ADC intends to utilize for procurement of additional rigs. As at 30 June 2022, the proceeds from the Sukuk, net of transactions costs of Saudi Riyals 21.0 million, were drawn and remain unutilized for the intended purpose.

The repayment of the Sukuk is due in a single installment in 2027 and it bears finance costs based on prevailing market rates which are based on SIBOR plus an applicable margin. The covenants of the Sukuk require ADC to maintain certain level of financial conditions and certain other requirements. At 30 June 2022, ADC was in compliance with such covenants.

12.3 Maturity profile of borrowings

	30 June 2022 (Unaudited)
Twelve-month period ending 30 June:	
2023	**489,256,461**
2024	**397,826,539**
2025	**176,785,714**
2026	**176,785,714**
2027	**2,000,000,000**
	3,240,654,428

13 Trade and other payables

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payable	**97,935,346**	159,129,729
Less: non-current trade payable	**-**	(15,189,800)
	97,935,346	143,939,929
Accrued expenses	**288,667,605**	271,082,048
Dividends payable	**21,674,524**	9,155,546
Value added tax payable	**22,190,187**	26,800,977
Other	**6,555,584**	5,572,716
	437,023,246	456,551,216

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14 Share capital

On 17 March 2022, the shareholders of the Company resolved to:

(i) increase the Company's share capital to Saudi Riyals 800.0 million by transferring Saudi Riyals 680.0 million from retained earnings and Saudi Riyals 97.4 million from additional paid-in capital. The legal formalities for such increase in share capital were completed during the six-month period ended 30 June 2022; and

(ii) transfer Saudi Riyals 221.1 million from retained earnings to statutory reserve.

Accordingly, as at 30 June 2022, the share capital of the Company comprised 80,000,000 shares stated at Saudi Riyals 10 per share (31 December 2021: 2,258,000 shares at Saudi Riyals 10 per share) held as follows:

		Shareholding percentage	
		30 June 2022 (Unaudited)	**31 December 2021 (Audited)**
Shareholder	**Country of incorporation**		
TAQA	Kingdom of Saudi Arabia	**51**	51
SPS	France	**49**	49
		100	100

15 Related party transactions and balances

The immediate controlling party of the Group is TAQA and the ultimate controlling party of the Group is the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Related parties comprise the shareholders, directors, associated companies (representing entities directly or indirectly controlled by or under the significant influence of the Company's shareholders), other entities controlled by the KSA Government ("Government controlled entities") and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Following are the significant transactions entered into by the Group with its related parties:

	For the six-month period ended	
	June 2022 (Unaudited)	**June 2021 (Unaudited)**
Nature of transactions		
Revenue from Government controlled entities	**847,480,968**	603,761,752
Revenue from an associated company	**400,302,531**	452,050,953
Rental income from an associated company	**162,788**	331,604
Costs charged by an associated company	**2,517,775**	2,692,488

The transactions are based on terms agreed per signed agreements between the Group and the respective related parties.

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(b) Key management personnel compensation:

	For the six-month period ended	
	June 2022 (Unaudited)	**June 2021 (Unaudited)**
Salaries and other short-term employee benefits	**10,698,862**	8,304,822
Post-employment benefits	**582,876**	242,776
	11,281,738	8,547,598

Board of directors' fee for the six-month period ended 30 June 2022 amounted to Saudi Riyals 0.2 million (30 June 2021: Saudi Riyals 0.2 million).

(c) Due from related parties

	30 June 2022 (Unaudited)	**31 December 2021 (Audited)**
Schlumberger Middle East S.A. ("SMESA"), an associated company	**192,993,412**	306,881,138
Saudi Arabian Oil Company, a Government controlled entity	**297,432,465**	230,710,658
Al-Khafji Joint Operations, a Government controlled entity	**103,433,750**	29,727,159
TAQA Well Services ("TWS"), an associated company	**3,359,840**	2,066,262
TAQA, a shareholder	**4,271,055**	19,187,966
SPS, a shareholder	**-**	7,740,283
	601,490,522	596,313,466

Due from related parties primarily relate to revenue generated from drilling and related services provided by the Group and are included in trade and other receivables as at 30 June 2022 and 31 December 2021. The revenue transactions are based on terms agreed as per signed agreements between the Group and the related parties.

As at 30 June 2022, allowance for ECL against balances due from related parties amounted to Saudi Riyals 3.4 million (31 December 2022: Saudi Riyals 3.4 million).

16 Segment reporting

The Group operates principally in the following two operating segments:

(i) Provision of drilling and other services through land rigs; and
(ii) Provision of drilling and other services through off-shore rigs.

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Consolidated financial information for the six-month period ended 30 June 2022, summarized by the above operating segments, is as follows:

a) Segment results

For the six-month period ended 30 June 2022 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	903,266,455	344,801,205	3,359,840	**1,251,427,500**
Intersegment revenue	-	-	83,945,956	**83,945,956**
Intersegment cost	(83,945,956)	-	-	**(83,945,956)**
Cost of revenue	(640,409,513)	(193,795,924)	(73,636,985)	**(907,842,422)**
Segment results	**178,910,986**	**151,005,281**	**13,668,811**	**343,585,078**

For the six-month period ended 30 June 2021 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	814,111,983	239,953,027	1,747,695	**1,055,812,705**
Intersegment revenue	-	-	79,471,565	**79,471,565**
Intersegment cost	(79,471,565)	-	-	**(79,471,565)**
Cost of revenue	(585,056,093)	(191,271,600)	(71,146,247)	**(847,473,940)**
Segment results	**149,584,325**	**48,681,427**	**10,073,013**	**208,338,765**

Reconciliation of segment results with profit before zakat and income tax

	For the six-month period ended 30 June	
	2022 (Unaudited)	**2021 (Unaudited)**
Total results for reporting segments	**343,585,078**	208,338,765
General and administrative expenses	**(74,498,979)**	(54,897,552)
Other operating income, net	**3,791,410**	6,875,731
Finance costs - net	**(34,741,609)**	(21,426,647)
Profit before zakat and income tax	**238,135,900**	138,890,297

b) Segment assets

	30 June 2022 (Unaudited)	**31 December 2021 (Audited)**
Land rigs	**3,049,782,958**	3,159,426,944
Off-shore rigs	**2,291,534,999**	2,305,764,121
Other	**228,992,843**	299,710,127
Eliminations	**(77,429,472)**	(60,294,993)
	5,492,881,328	5,704,606,199

As at 30 June 2022, segment assets did not include unallocated assets amounting to Saudi Riyals 3.1 billion (31 December 2021: Saudi Riyals 839.3 million).

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c) Other information

Revenue for the six-month period ended 30 June 2022 is derived from four (2021: three) external customers, details of which are as follows:

	For the six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Saudi Arabian Oil Company	**763,294,637**	537,012,046
SMESA	**400,302,531**	452,050,953
Al Khafji Joint Operations	**84,186,331**	66,749,706
Other	**3,644,001**	-
	1,251,427,500	1,055,812,705

17 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period. As the Company does not have any potential dilutive shares, the diluted earnings per share is the same as the basic earnings per share.

	30 June 2021 2021 (Unaudited)	30 June 2020 2020 (Unaudited)
Profit attributable to the shareholders of the Company	**207,653,745**	119,834,580
Weighted average number of ordinary shares for basic and diluted earnings per share	**80,000,000**	80,000,000
Basic and diluted earnings per share	**2.60**	1.50

The weighted average number of shares for the six-month period ended 30 June 2021 have been adjusted to reflect the increase in total number of shares as explained in Note 14.

18 Dividends

During the six-month period ended 30 June 2022, the Company's shareholders approved dividends amounting to Saudi Riyals 37.4 million (2021: approved dividends amounting to Saudi Riyals 37.2 million).

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19 Contingencies and commitments

(i) At 30 June 2022 banks have issued guarantees on behalf of the Group amounting to Saudi Riyals 309.5 million (31 December 2021: Saudi Riyals 483.3 million) and the Group has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 77.8 million (31 December 2021: Saudi Riyals 38.3 million).

(ii) The capital expenditure contracted by the Group but not incurred till 30 June 2022 was approximately Saudi Riyals 406.0 million (31 December 2021: Saudi Riyals 118.4 million).

(iii) Zakat, Tax and Customs Authority has issued additional zakat and income tax assessments related to Ofsat for certain years which are under various stages of appeals. The Group management believes that no material liability will arise upon the ultimate resolution of such appeals and accordingly no provision for such additional assessments has been made in the accompanying 2022 condensed consolidated interim financial information.

Arabian Drilling

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