

# CHIEF FINANCIAL OFFICER'S REVIEW

Arabian Drilling posted a revenue growth of 4% in 2024 and maintained its strong margin profile, showing a highly resilient financial performance, defying adverse market trends set by multiple rig suspensions. This was largely due to the swift and effective deployment in 2024 of 11 out of the 13 unconventional gas rigs, which were pivotal in contributing revenue of ₪ 230 million.

Despite the suspensions, we effectively closed FY 2024 with a solid EBITDA margin of 41.7%, which is 1 percentage point below that of 2023. With our offshore revenue being highly accretive to EBITDA, we realized only a slight drop in our margin profile. The impact of suspensions was partially offset by the successful deployment and

operation of unconventional land rigs in addition to the implementation of rigorous cost optimization initiatives. The revenue contribution generated by the new unconventional rigs recorded ₪ 230 million in 2024 and is projected to reach close to ₪ 800 million on an annual basis, with the full contribution of all 13 rigs.

was offset by the commencement of 3 new offshore rigs that were fully utilized in 2024. Overall, the offshore segment revenue was stable year-on-year at ₪ 1.48 billion.

Revenue for 2024 represents the highest recorded to date, with a 9.3% Compounded Annual Growth Rate (CAGR) since 2021 while maintaining a strong EBITDA margin above 40%, reflecting positive financial results.

closing 2024 with revenues of ₪ 2.14 billion, reflecting a 7% year-on-year increase. In Q4 2024, the Company also announced the extension of 2 long-term contracts by Saudi Aramco. One extension of 5 years and the other of 10 years have an associated estimated backlog of ₪ 730 million.

At the end of 2024, from a fleet of 49 land rigs, 41 were operational, with 6 rigs under temporary suspension by Aramco or without a contract, and another 2 unconventional rigs were in the final acceptance test phase prior to starting their new contracts. Once again, the Company's land segment

reinforced its capability and reliability with a Rig Efficiency Index (REI) score of 95.1% and Non-Productive Time (NPT) of just 1.7%.

## Offshore Awards, Investments, and Alliances

The Company was awarded a 2-year contract for 1 of its existing offshore jack-up service vessels, as well as a commitment to award an additional offshore jack-up service vessel for another 2-year contract in the Arabian Gulf. The estimated backlog for the scope of work of the existing offshore jack-up service vessel is expected to be more than ₪ 100 million.

₪ million	FY'24	FY'23	Change
Revenue	3,619	3,477	+4.1%
EBITDA	1,508	1,485	+1.5%
EBITDA Margin	41.7%	42.7%	-100bps
Adjusted Operational Profit	671	801	-16.2%
Adjusted Net Profit	426	605	-29.6%
Net Profit	321	605	-46.9%
EPS (₪)	3.61	6.79	-46.9%
Capital Expenditure <sup>1</sup>	1,910	1,847	+3.4%
CF from Operating Activities	1,750	1,360	+28.7%

1. FY'23 includes ₪ 37 million of capitalized interest

## Solid Results through Strategic Flexibility

Following the Ministry of Energy's announcement to increase oil production by 1 million barrels per day in 2022, Aramco contracted approximately 40 new rigs to meet the anticipated growth demand. However, when that policy was reversed, 30 to 35 of the Aramco offshore fleet were later released or suspended.

Despite 4 offshore rigs being released or suspended by mid-2024, with a revenue shortfall of ₪ 286 million compared to 2023, this shortage

Revenue (₪ million) and EBITDA Profile (%)



**REVENUE FOR 2024 REPRESENTS THE HIGHEST RECORDED TO DATE, WITH A 9.3% COMPOUNDED ANNUAL GROWTH RATE (CAGR) SINCE 2021 WHILE MAINTAINING A STRONG EBITDA MARGIN ABOVE 40%, REFLECTING POSITIVE FINANCIAL RESULTS.**

**Hubert Lafeuille**  
Chief Financial Officer



## CHIEF FINANCIAL OFFICER'S REVIEW (continued)

We recently announced our intention to award an additional offshore jack-up service support vessel, marking a new investment in our offshore fleet. We are currently in the process of finalizing the vessel acquisition and we expect to confirm the contract by the end of Q1 2025. This new addition to the offshore fleet is in line with our strategy to diversify our revenue portfolio and expand our presence into jack-up service vessel activities.

In Q1 2025, Arabian Drilling announced a strategic alliance with Shelf Drilling to collaborate on international rig deployment, reinforcing our commitment to expanding global operations. Under this partnership, Arabian Drilling will provide access to its premium offshore rigs, while Shelf Drilling will leverage its extensive international footprint to source new contracts. By combining our state-of-the-art, high-specification jack-up rigs with Shelf Drilling's global reach and customer network, this alliance brings together the best of the 2 companies to enhance our market presence, optimize asset utilization, and unlock new growth opportunities.

### CAPEX and Operational Efficiency

The Company's 2024 EBITDA was further supported by the implementation of a Company-wide plan of cost saving initiatives, contributing approximately to ₪ 175 million in operational savings (OpEx) and ₪ 207 million in CAPEX with a mix of one-of and recurring benefits. Overall, at Company level, we have generated more than 800 cost saving ideas and initiatives, of which 241 have gone through a selective gate process and have been implemented.

Company-wide digitalization has contributed to efficiency improvements. From ERP systems and health and safety to supply chains and maintenance, all operations have been remodeled, upgraded, and integrated through our SAP system.

Furthermore, many of these initiatives will have recurring benefits into 2025 and beyond.

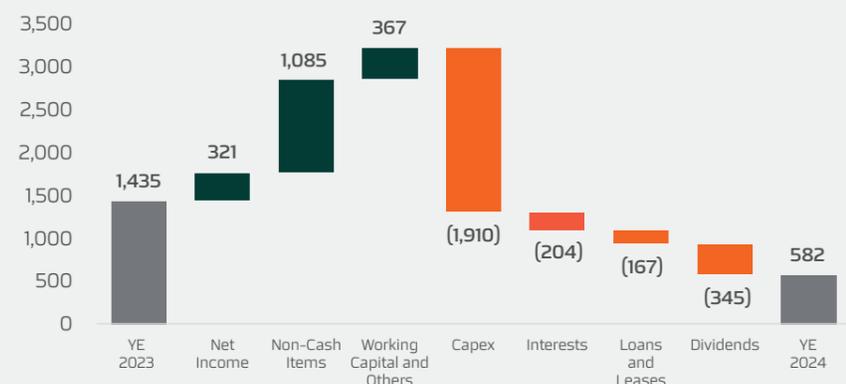
### Debt and Leverage

While 2022 and 2023 focused heavily on offshore expansion, our strategic shift towards the delivery of unconventional rigs drove CAPEX to its highest level in recent years,

reaching ₪ 1.9 billion in 2024, typically 3 times higher than during a steady state year. As a result, our debt and leverage ratios were also peaking, as expected.

However, we remain moderately leveraged with a net debt to EBITDA ratio of 1.6 times, a healthy position compared to many of our competitors, and we anticipate a much-reduced CAPEX level, returning to a more normalized year as the unconventional rigs come fully online. We are financially disciplined, and cashflow and liquidity are paramount, particularly in challenging business environments.

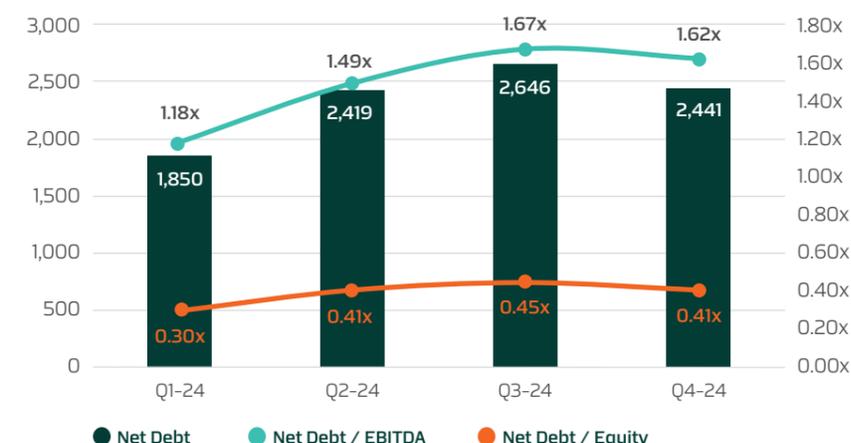
### Cash Flow Bridging YE 2023 - YE 2024 (₪ million)



### Net Debt Bridging YE 2023 - YE 2024 (₪ million)



### Net Debt (₪ million)



Bottom line net profit was impacted predominantly by increased non-cash depreciation expenses, as a result of a larger asset base and additional rigs. This combined with net financial expenses, which increased through a higher debt level, was driven by financing the unconventional rigs. Moreover, in 2023, a portion of the interest expenses of approximately ₪ 37 million was capitalized as part of the CAPEX program for the offshore fleet expansion, which was not repeated in 2024.

As a result, the culmination of increased debt and the absence of capitalized interest expenses caused a significant increase in net financial expenses for 2024.

In terms of financing, we have excellent, long-established relationships with the banks, which are available to provide financing at extremely competitive rates, giving us more opportunity to further strengthen our balance sheet and support strategic initiatives.

### Milestone Expansion Targets

While the suspension of the Company's offshore rigs has impacted short-term results, we have accelerated our expansion strategies as we seek to redeploy and explore new international markets for the first time in our history. Diversifying the Company's client portfolio and operating beyond Saudi Arabia has been a key focus. Our successful land drilling qualification in Kuwait, as well as the strategic alliance with Shelf Drilling, has initiated a clear path for regional expansion.

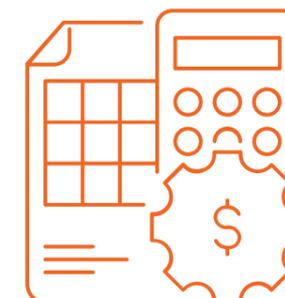
In terms of vertical integration, we continue to seek opportunities to broaden our scope. In 2024, we amended our commercial registration to provide training services, including the Arabian

Drilling Learning Academy, offering courses to third parties. We are also looking at a number of other business opportunities adjacent to the drilling services through partnerships with other players.

### Stability and Growth in 2025

Resilience, agility, and evolution form the bedrock of Arabian Drilling's 60 years of success and in 2024 the Company reaffirmed its strength in the market and its insight in the industry. The returns from unconventional gas offset the turbulence of the suspended offshore rigs and, more importantly, continued our growth, resisting the pressure of a negative trend.

We expect 2025 to feature a strong uptick in rig tendering activity. We aim to meet an anticipated growth in gas – both conventional and unconventional – as well as expand our footprint in both land and offshore projects. While last year was highly challenging for all contractors in the Kingdom, our horizons have broadened for the future as we expand into other territories.



## CHIEF FINANCIAL OFFICER'S REVIEW (continued)

CASE STUDY

# A COMPANY-WIDE COMMITMENT TO COST EFFICIENCY

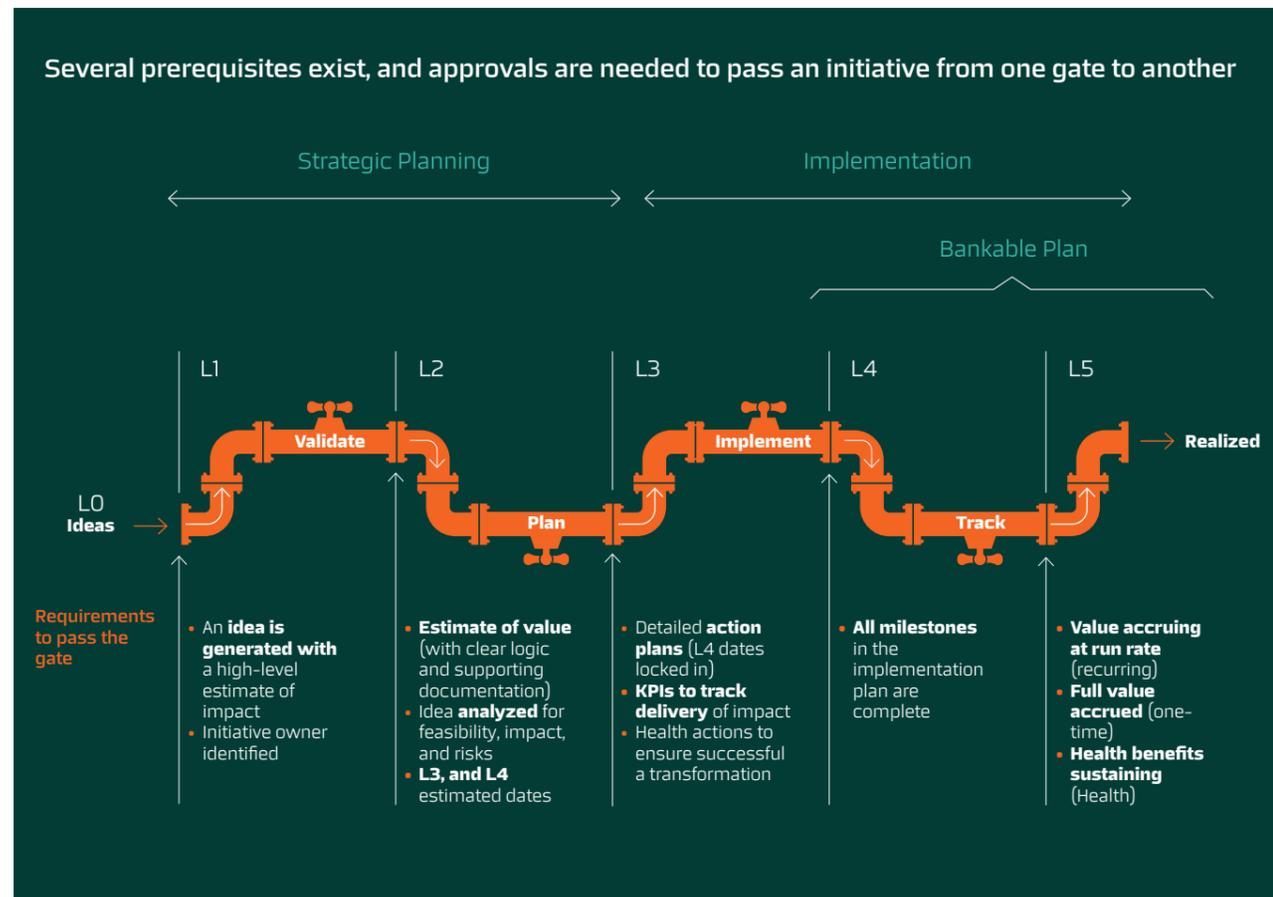
At Arabian Drilling, cost efficiency is more than just a financial goal – it is a mindset that drives continuous improvement, innovation, and long-term success. We recognized an opportunity to elevate our operational model by embedding a culture of cost-conscious decision-making across the organization. The challenge was not just to reduce costs but to also to engage employees at every level, ensuring that every idea contributed meaningfully to

our transformation. To succeed, we needed to generate broad participation, evaluate ideas for feasibility, and ensure tangible savings were realized without compromising service quality.

**A Structured Approach to Unlocking Value**

To turn this vision into reality, we launched a company-wide cost optimization initiative designed to harness collective intelligence and drive meaningful impact. A dedicated Strategy Department was

established to oversee and manage the process, ensuring alignment with operational objectives. Collaboration was at the core of our approach, with departments including Operations, Asset, Supply Chain, IT, and Finance working together to develop and evaluate cost-saving opportunities. By implementing a structured framework for assessing initiatives based on feasibility, implementation difficulty, and expected savings, we prioritized high-impact solutions that delivered measurable results.



### Outstanding Initiatives and Impact

This systemic process generated a range of high-impact initiatives that delivered substantial cost savings and improved operational efficiency.

Employee Hotel: Long-Term Contract with Supplier / Alternate Supplier	Optimization of Operational Maintenance Days	VAT Recovery
<ul style="list-style-type: none"> <li>• Lack of long-term contracts and reliance on premium hotels increased costs.</li> <li>• No alternative accommodations considered, limiting cost-saving opportunities.</li> </ul>	<p>The 2024 maintenance days budget had discrepancies including:</p> <ul style="list-style-type: none"> <li>• Unbudgeted maintenance leading to unforeseen costs.</li> <li>• Excessive days allocation beyond actual requirements.</li> <li>• Unnecessary shipyard days impacting efficiency.</li> </ul>	<p>The Company was not routinely recovering the VAT on certain service types:</p> <ul style="list-style-type: none"> <li>• Medical Insurance.</li> <li>• Air tickets and accommodation.</li> <li>• Onboarding costs.</li> </ul>
<p><b>Approach and Solution:</b></p> <ul style="list-style-type: none"> <li>• Conducted market benchmarking for cost-effective accommodations.</li> <li>• Negotiated long-term contracts with suppliers to secure better rates.</li> <li>• Identified alternative suppliers such as 3-star hotels and guest houses.</li> <li>• Transitioned crew accommodation to guest houses where feasible.</li> </ul>	<p><b>Approach and Solution:</b></p> <ul style="list-style-type: none"> <li>• Conducted a detailed review of maintenance planning.</li> <li>• Identified redundant maintenance days and optimized scheduling.</li> <li>• Aligned planned and unplanned maintenance activities.</li> <li>• Enhanced coordination to improve asset utilization.</li> </ul>	<p><b>Approach and Solution:</b></p> <ul style="list-style-type: none"> <li>• Conduct a thorough review of what types of services are eligible for VAT recovery.</li> <li>• Confirmed the tax position with tax advisors.</li> <li>• Amended the VAT return to recover VAT from previously paid.</li> </ul>
<p><b>Results and Impact:</b></p> <ul style="list-style-type: none"> <li>• Achieved ₪ 9.7 million in savings.</li> <li>• Secured cost-efficient, sustainable accommodation solutions.</li> <li>• Improved financial efficiency in crew logistics.</li> </ul>	<p><b>Results and Impact:</b></p> <ul style="list-style-type: none"> <li>• Achieved ₪ 30.072 million in savings.</li> <li>• Improved operational efficiency and cost control.</li> <li>• Optimized asset deployment.</li> </ul>	<p><b>Results and Impact:</b></p> <ul style="list-style-type: none"> <li>• Achieved ₪ 38.8 million in cash savings in VAT recoveries.</li> </ul>

### A Culture of Ownership and Operational Excellence

Overall, the initiative exceeded expectations, generating 833 cost-saving ideas, with 768 employees actively participating. Of these, 241 ideas were successfully implemented, contributing to ₪ 207 million in Capex savings and ₪ 175 million in Opex reductions. Beyond financial gains, the program enhanced service quality, improved operational efficiency, and reinforced a sense of ownership among employees. Shareholders, employees, and customers alike benefited from a more agile and financially resilient organization, positioning us for sustained growth and long-term competitiveness.

**“Harnessing the collective power of our people, we delivered ₪ 382 million in savings while enhancing efficiency and service quality. With 833 ideas generated and 768 employees engaged, we proved that transformation is driven from within – one idea at a time.”**