

Caspian Drilling Company LLC

**Consolidated financial statements prepared
under International Financial Reporting Standards**

*For the year ended 31 December 2021,
with independent auditor's report*



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Independent auditor's report

To the Supervisory Board and Management of
Caspian Drilling Company LLC

Opinion

We have audited the consolidated financial statements of Caspian Drilling Company LLC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Supervisory Board 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.

Ernst & Young Holdings (CIS) B.V.

21 June 2022

Baku, Azerbaijan

Consolidated statement of profit or loss and other comprehensive income*(All amounts are in thousands of US dollars)*

	Note	31 December 2021	31 December 2020
Revenue	5	129,167	281,993
Cost of sales	6	(126,652)	(166,674)
Gross profit		2,515	115,319
General and administrative expenses	7	(14,194)	(21,038)
Other operating expenses	11	(49,472)	-
Other income	8	17,669	13,294
Operating (loss)/profit		(43,482)	107,575
Other expenses	9	(26,469)	(10,000)
Finance cost	13	(173)	(239)
Foreign exchange loss, net		(876)	(2,358)
(Loss)/profit before tax		(71,000)	94,978
Income tax benefit/(expense)	10	6,611	(25,717)
(Loss)/profit for the year		(64,389)	69,261
Other comprehensive loss for the year, net of tax – currency translation differences		(7)	-
Total comprehensive (loss)/income for the year		(64,396)	69,261

Signed and authorized for release on behalf of management:

 Farid Akhundov
 General Director


 Ramin Aghaverdiyev
 Deputy Director, Finance

Consolidated statement of financial position*(All amounts are in thousands of US dollars)*

	Note	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment	11	154,929	240,917
Intangible assets	12	1,716	1,989
Deposit in bank	16	9,513	68,082
Right of use asset	13	881	1,321
Loan receivable from related party	18	102,856	100,382
Deferred income tax assets	10	26,929	13,652
Total non-current assets		296,824	426,343
Current assets			
Cash and cash equivalents	14	187,089	156,631
Restricted cash	15	2,451	5,000
Deposit in bank	16	69,107	23,790
Trade and other receivables	17	24,218	56,586
Prepayments	20	8,413	3,941
Inventories	19	43,109	37,429
Prepaid income tax	10	7,223	1,048
Other current assets		550	876
Total current assets		342,160	285,301
Total assets		638,984	711,644
Equity			
Charter capital	21	285,846	285,846
Additional paid-in capital		448	448
Retained earnings		303,789	368,178
Cumulative translation differences		-	7
Total equity		590,083	654,479
Non-current liabilities			
Lease liability (non-current portion)	13	426	843
Other non-current liabilities		372	372
Total non-current liabilities		798	1,215
Current liabilities			
Accounts payable and accrued liabilities	22	45,996	50,711
Deferred revenue	5	-	4,598
Lease liability	13	607	616
Other current liabilities		1,500	25
Total current liabilities		48,103	55,950
Total liabilities		48,901	57,165
Total equity and liabilities		638,984	711,644

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of change in equity*(All amounts are in thousands of US dollars)*

	Note	Charter capital	Additional paid-in capital	Retained earnings	Cumulative translation differences	Total equity
Balance at 1 January 2020		285,846	448	423,499	7	709,800
Profit for the period		–	–	69,261	–	69,261
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	69,261	–	69,261
Dividends declared	21	–	–	(123,804)	–	(123,804)
Distribution to shareholder		–	–	(778)	–	(778)
Balance at 31 December 2020		285,846	448	368,178	7	654,479
Loss for the period		–	–	(64,389)	–	(64,389)
Other comprehensive loss		–	–	–	(7)	(7)
Total comprehensive loss		–	–	(64,389)	(7)	(64,396)
Dividends declared		–	–	–	–	–
Distribution to shareholder		–	–	–	–	–
Balance at 31 December 2021		285,846	448	303,789	–	590,083

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows*(All amounts are in thousands of US dollars)*

	Note	2021	2020
Operating activities			
(Loss)/profit before tax		(71,000)	94,978
<i>Adjustments for:</i>			
Depreciation and amortization	6, 7	42,990	39,110
Impairment of property, plant and equipment	11	49,472	–
(Expected credit loss (“ECL”) reversal) / ECL	7	(1,843)	3,079
Interest income	8	(2,474)	(1,896)
Foreign exchange gain, net		(7)	–
Finance cost	13	173	235
<i>Working capital adjustments</i>			
Change in trade and other receivables		32,368	(1,651)
Change in prepayments		(4,472)	1,667
Change in restricted cash		2,549	–
Change in inventories		(5,680)	(5,575)
Change in other current assets and liabilities		1,802	(373)
Change in accounts payable and accrued liabilities		(4,715)	21
Change in contract liability		–	(4,417)
Change in deferred revenue		(4,598)	(5,728)
Cash generated from operations		34,565	119,450
Income tax paid	10	(12,842)	(27,845)
Interest paid		(173)	(235)
Net cash flows from operating activities		21,550	91,370
Investing activities			
Purchase of property, plant and equipment		(5,761)	(2,384)
Purchase of intangible assets		–	(1,078)
Withdrawal of deposits	16	25,000	–
Placement of deposits	16	(10,000)	(50,000)
Loan provided to the related parties	18	–	(100,000)
Net cash flows used for investing activities		9,239	(153,462)
Financing activities			
Dividends paid	21	–	(123,804)
Payment of lease liability		(426)	(364)
Net cash flows used for financing activities		(426)	(124,168)
ECL reversal for cash and cash equivalents	14	95	113
Net increase/(decrease) in cash and cash equivalents		30,458	(186,147)
Cash and cash equivalents as at 1 January	14	156,631	342,778
Cash and cash equivalents as at 31 December		187,089	156,631

The accompanying notes are an integral part of these consolidated financial statements.