



الشركة العمالية للطاقة (ش.م.ك.ع.)
Action Energy Company (K.S.C.P)

ANNUAL REPORT 2025

Partners in the *Future of* *Energy*





His Highness Sheikh

Meshal Al-Ahmad Al-Jaber Al-Sabah

Emir of the State of Kuwait



His Highness Sheikh

Sabah Khalid Al-Hamad Al-Sabah

Crown Prince of the State of Kuwait



His Highness Sheikh

Ahmad Abdullah Al-Ahmad Al-Sabah

Prime Minister of the State of Kuwait



الشركة العمالية للطاقة (ش.م.ك.ع.)
Action Energy Company (K.S.C.P)

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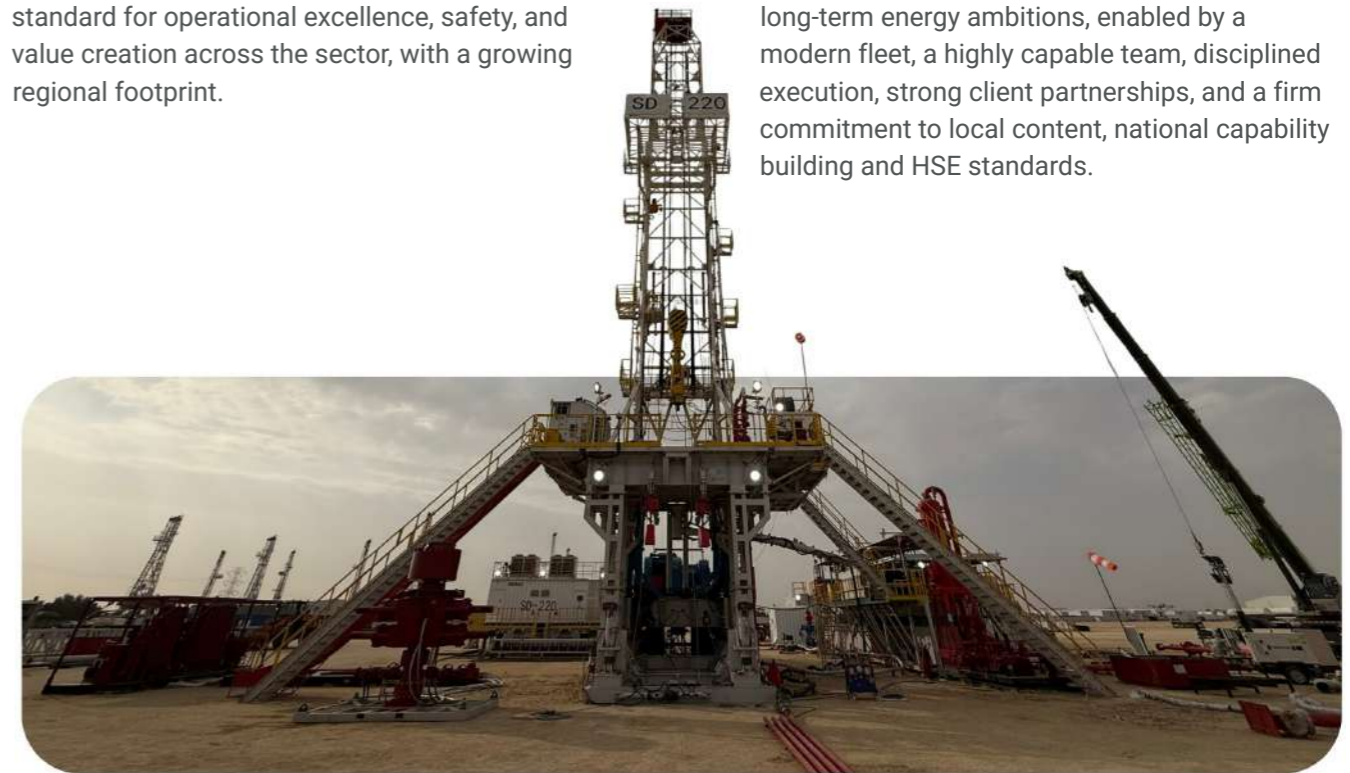
Vision, mission and *values*

OUR VISION

To be the regional leading local partner for integrated upstream services, setting the standard for operational excellence, safety, and value creation across the sector, with a growing regional footprint.

OUR MISSION

To deliver safe, efficient, and reliable upstream services that support Kuwait's and the region's long-term energy ambitions, enabled by a modern fleet, a highly capable team, disciplined execution, strong client partnerships, and a firm commitment to local content, national capability building and HSE standards.



OUR VALUES



Operational Excellence

We uphold the highest standards of execution across every rig, every well, and every service line.



Safety First

The safety of our people, partners, and the communities we operate in is our top priority.



Innovation and Technology Transfer

We actively partner with global technology leaders to build local capabilities and transfer knowledge.



National Development

We develop Kuwaiti talent with deep operational expertise and a strong safety culture to meet national ambitions in the upstream sector.



Sustainability and Governance

We recognize that our continued growth must be matched by a firm commitment to ESG standards..

Chairman's *Statement*

Dear Shareholders,

On behalf of the Board of Directors of Action Energy Company (AEC), we are pleased to present the Company's annual report for the financial year ended 31 December 2025. This marks the Company's first report following its successful listing on Bursa Kuwait Premier Market, marking the beginning of a new and promising chapter in its journey. Since commencing operations with just two drilling rigs ten years ago, the Company has evolved into a fully integrated provider with a fleet of twenty modern rigs, among the newest in Kuwait and the region, representing around 10% of the active drilling fleet in Kuwait. This share is expected to increase to between 12% and 15% with the addition of seven new rigs currently under construction - God willing.

With grace of Allah 2025 was a transformational year. AEC delivered record operational performance, expanded its fleet fivefold since 2022, strengthened its financial position, and achieved its highest backlog to date. Together, these milestones cement the Company's standing as Kuwait's leading private onshore drilling partner and oilfield services provider.

Revenue rose 53% to KWD 31.9 million, up from KWD 20.8 million a year earlier. Net profit surged 202% to KWD 5.7 million. EBITDA grew 57% to KWD 16.4 million, and operating cash flows reached KWD 10.9 million, reinforcing AEC's ability to fund its growth internally. Earnings per share climbed 184% to 14.35 fils. In recognition of this performance, the Board has recommended a cash dividend equivalent to 3% of nominal share value, totaling approximately KWD 1.7 million, reflecting our commitment to a sustainable, long-term dividend distribution policy.

These results are the product of a clearly defined strategy and a resilient business model, carefully built since the Company's founding in 2015. As we scale up our operations, we continue to safeguard

and enhance our EBITDA margins, the model has consistently delivered, with EBITDA margins exceeding 45% every year since 2022, reaching 51% in 2025. This outperformance is driven by the efficiency of AEC's modern fleet, with an average rig age of just 2.07 years versus a Kuwait market average of 15.9 years, as well as the growing contribution of higher-margin oilfield services, further bolstered in 2025 by the acquisition of a 60% stake in Target NDT as part of the Company's backward integration strategy.

AEC takes its national role seriously. Developing Kuwaiti talent and advancing local content are top priorities. The Company is committed to advancing Kuwaiti talent and strengthening national technical capabilities to support Kuwait's long-term energy ambitions, including crude oil production of 4.0 million barrels per day by 2035 and free gas production of 2 billion cubic feet per day by 2040. Meeting these targets will require a generation of Kuwaiti professionals with deep operational expertise and a strong safety culture.

Through its training and qualification programs, AEC is building the capabilities required for the sector's future, further cementing its role as a trusted national partner in delivering Kuwait's energy ambitions.

Governance and sustainability remain central to AEC's operations. The Company has adopted a robust corporate governance framework, comprising the Board and its committees, including Audit and Risk, and Nomination and Remuneration, supported by strong compliance functions and a dedicated Investor Relations function that ensures transparent and regular communication with the market. AEC's commitment to ESG is grounded in a clear understanding that its leadership position in the upstream sector, and continued growth, require a sustainability approach that reflects the scale of its operations and its positive impact on the communities it serves.

Business Outlook

AEC remains committed to its 2026 strategic targets and continues to operate with resilience amid current regional developments. The Company has taken precautionary measures to mitigate potential logistical risks, including the early activation of emergency response plans and the strategic stockpiling of critical spare parts. Absent any material escalation in the regional security environment, AEC expects to maintain continuity of its upstream operations without material disruption.

This outlook is supported by a record backlog of KWD 321.5 million, a strong revenue visibility, and an active pipeline of contracts under mobilization. AEC also continues to advance its growth strategy through the expansion of its fleet to 27 rigs (20 existing and 7 under construction), and other oilfield services contracts in pipeline. AEC remains committed to protecting its people, maintaining operational continuity, and supporting Kuwait's national energy objectives, with its resilient business model and strength of its market position. The company continues to monitor the current developments closely while maintaining its focus on delivering high quality services and long-term value to its stakeholders.

In closing, the Board extends its sincere gratitude to our shareholders for their continued trust, to executive management for their dedicated efforts, and to all employees of Action Energy whose commitment drives the Company's success. As we enter this new chapter, we look forward to continuing the Company's value creation journey and delivering sustainable, long-term returns.

Mubarak A. M. Al Sabah
CHAIRMAN

Mubarak A. M. Al Sabah
Chairman



Ahmad Mohammad Al-Ajlan
Board Member & CEO



CEO's *Statement*

Dear Shareholders,

It is my pleasure to share the highlights of Action Energy Company's (AEC) performance in 2025, a truly transformational year. 2025 marked a significant milestone for the Company, with strategic expansion, a continued commitment to operational excellence, and the delivery of its strongest financial results to date.

AEC has expanded its fleet fivefold since 2022, delivering exceptional performance across the board. The fleet has maintained 100% utilization for four consecutive years and has grown to a total of 20 rigs, well above the Kuwait industry average of approximately 80% and the GCC average of around 64%. Non-productive time remained consistently below 1%.

This performance is supported by one of the youngest fleets in the region, with a total installed capacity of approximately 21,000 HP, rising to 29,000 HP upon delivery of seven rigs currently under construction. Rigorous preventive maintenance and a disciplined operating model, in place since inception, underpin this performance.

Financially, AEC maintained a strong focus on cost management and efficiency, even as the fleet expanded significantly. Revenue reached KWD 31.9 million, up from KWD 20.8 million a year earlier, driven by newly deployed rigs, workover units, full fleet utilization, and a growing contribution from oilfield services. Net operating profit rose 80% to KWD 11.8 million. Operating cash flows increased to KWD 10.9 million, and the net debt-to-equity ratio improved to 0.55x, nearly half the prior-year level, supported by higher earnings and strong cash balances.

The drilling business line accounts for approximately 72% of AEC's total backlog, with an average remaining contract life of 5.01 years. Since inception, the Company has secured 94% of the tenders it has participated in. Kuwait Oil Company (KOC) represents 94% of the total backlog, underscoring the depth and strength of this relationship.

AEC's fleet is among the youngest in Kuwait and the wider region, with an average rig age of just 2.07 years compared to a market average of 15.9 years.

The oilfield services business line now represents approximately 28% of total backlog, with average remaining contract durations of 6–7 years. This business line reflects AEC's long-term strategy to evolve from a specialist drilling contractor into a full-cycle well solutions provider.

In 2025, the Company accelerated this transformation by acquiring a 60% stake in Target NDT through backward integration, while expanding across multiple service lines, including electric submersible pumps, slickline, inspection, once-through steam generators (OTSG), cementing, directional drilling, and coiled tubing. This breadth diversifies revenue and deepens integration with AEC's core drilling business.

Safety remained the Company's foremost priority throughout the year. AEC's average Lost Time Injury Rate (LTIR) stood at 0.01, approximately 96% below the global onshore average. This track record has been recognized by KOC through multiple awards, including 7-year and 8-year Lost Time Incident-Free citations and the Best Performing Rig award. This industry-leading safety performance is more than a point of pride; it is a critical competitive advantage in securing and renewing long-term contracts.

Regarding current regional developments, AEC confirms that its operations continue to support Kuwait's energy sector while ensuring the safety of its employees and partners. The fact that the Company's entire operational footprint sits within Kuwait provides a natural buffer against regional disruption. A diversified global supplier base, in-house maintenance capabilities, and a young, high-reliability fleet further reduce external dependencies. The company is committed to serving Kuwait and contributing to the stability of the national energy industry.

Looking ahead, AEC's strategy is anchored on three pillars. First, sustaining and strengthening its market leadership in Kuwait, where onshore drilling demand remains structurally strong and supported by KOC's long-term production plans. Second, expanding the oilfield services platform through the addition of new service lines across the upstream value chain. Third, preparing for regional expansion and pursuing selective mergers and acquisitions within the GCC.

I would like to close by thanking Action Energy's partners for their continued confidence and collaboration, and by expressing my appreciation to the AEC team, whose dedication continues to drive the Company's achievements. Action Energy moves forward with confidence toward a future defined by growth and opportunity.

Ahmad Mohammad Al-Ajlan
BOARD MEMBER & CEO

Board of *Directors*



Sheikh Mubarak Abdullah Al-Mubarak Al-Sabah

CHAIRMAN

Sheikh Mubarak is a Kuwaiti businessman with extensive experience in entrepreneurship, investments, and leadership. He has spearheaded major real estate and hospitality projects, elevating standards in Kuwait and the region. He is Chairman of Action Real Estate Company and founder of companies across real estate, hotels, and energy; and served on boards driving large-scale investments. In addition, he is member of several local and International forums and associations. He holds degrees from Cambridge and Buckingham universities and trained at the Royal Military Academy Sandhurst, where he served in the Kuwaiti Armed Forces.



Eng. Rawaf I. Bourisli

VICE CHAIRMAN

Eng. Rawaf I. Bourisli is an architect and GM of Action Real Estate Company, a leading firm in Kuwait and the region. He played a key role in establishing Action Hotels in 2006 and led its expansion into hospitality, including its AIM London listing. With over 20 years of experience, he oversees operations and growth, and serves on multiple boards. He holds a degree from Oklahoma State University and is a member of the Kuwait Society of Engineers.



Ahmad M. Al-Ajlan

BOARD MEMBER & CEO

Ahmad Al-Ajlan is CEO of AEC, with over 25 years of experience across public and private sectors. He is recognized for strategic leadership and corporate management in listed companies. He began his career in manufacturing, later serving at PAI and Kuwait Lube Oil Company, before an 11-year tenure at Kuwait Clearing Company. He has held board roles across sectors. He holds a Business degree from Kuwait University and completed training in London and New York.



Vikas Arora

BOARD MEMBER

Vikas Arora is a senior finance professional and entrepreneur with over 25 years of experience across regions and industries. He served as Group CFO of Action Group and has worked in the GCC for over 20 years in corporate finance and advisory roles with major firms. His expertise includes capital raising, IPOs, governance, and managing large portfolios. He also invests across sectors globally. He is a Chartered Accountant and completed programs at Oxford and Wharton universities.



Talal Al-Qassar

BOARD MEMBER*

Talal Al Qassar has nearly ten years of experience in investments and consulting. He is VP, Principal Investments at Gulf Investment Corporation. He previously worked at Tri-International Consulting Group and Oliver Wyman on projects across economic development, infrastructure, and real estate. He holds an MBA from London Business School, a Master of Engineering from Lehigh University, and a Bachelor's in Industrial Engineering with a Minor in Economics from Penn State University.

*Replaced by Mohammad Tarek Abdulrazzaq Razzouqi, representative of Action Real Estate Company K.S.C.C, at the time of printing this report.

Executive *Management*



Ahmad M. Al-Ajlan

BOARD MEMBER & CEO

Ahmad Al-Ajlan is CEO of AEC, with over 25 years of experience across public and private sectors. He is recognized for strategic leadership and corporate management in listed companies. He began his career in manufacturing, later serving at PAI and Kuwait Lube Oil Company, before an 11-year tenure at Kuwait Clearing Company. He has held board roles across sectors. He holds a Business degree from Kuwait University and completed training in London and New York.



Craig Rasmussen

GM OF DRILLING AND WORKOVE

Craig Rasmussen is General Manager of Drilling and Workover at AEC, with 25 years of global experience. He has driven growth and operational excellence with Ensign Energy, Weatherford, and Nabors, and expanded the company's fleet from 2 to 18 rigs. His career spans Canada, North America, Australia, the Middle East, and Eastern Europe, where he has led complex projects and delivered efficient, scalable operations.



Ivan Chikunov

GM OF SERVICES AND BUSINESS DEVELOPMENT

Ivan Chikunov is General Manager of Services and Business Development at AEC, with over 15 years of experience in oil and gas. Since 2020, he has expanded the rig fleet and secured major contracts. He began his career at Schlumberger, advancing to Operations and Sales Manager, leading projects across Europe and the North Sea. He holds a Master's in Mechanical Engineering from Bauman Moscow State Technical University.



Jainuddin Jhabuawala

GENERAL MANAGER OF FINANCE

Jainuddin Jhabuawala is General Manager of Finance at AEC, with over 18 years of experience across the Middle East and India. Since 2017, he has led financial strategy, governance, and growth in the oil and gas sector. His expertise includes audit, IFRS, treasury, and corporate finance, with a focus on capital structure and returns. He previously worked at Ernst & Young, Landmark Group, and Hadi Hospital, and is a Chartered Accountant with IFRS and Harvard certifications.



Wafaa Al-Shatti

GENERAL MANAGER OF HR AND ADMIN

Wafaa Al Shatti is Human Resources and Administration General Manager at AEC, with over 23 years of experience in HR management, organizational development, and training. Since 2019, she has aligned HR strategy with business goals, driving Kuwaitization and efficiency. She is a certified trainer with expertise in leadership and communications, serves as an accredited trainer for the National Assembly, and holds a Mini MBA and professional HR qualifications.



Faisal Saleem

IT MANAGER

Faisal Saleem is IT Manager at Action Energy Company, with over 25 years of experience in IT and systems management. He leads IT strategy, planning, and execution across the organization. Prior to AEC, he spent 18 years at KFAS in senior IT roles, overseeing projects, infrastructure, and ISO compliance. He holds a Master's in Computer Science and maintains PMP and ITIL certifications.

Financial *Highlights*

Financial year 2025 delivered record results across every key metric, confirming the scalability of Action Energy Company's (AEC) business model and marking a step-change in the Company's financial profile following the successful expansion of its fleet and its listing on the Premier Market of Bursa Kuwait.

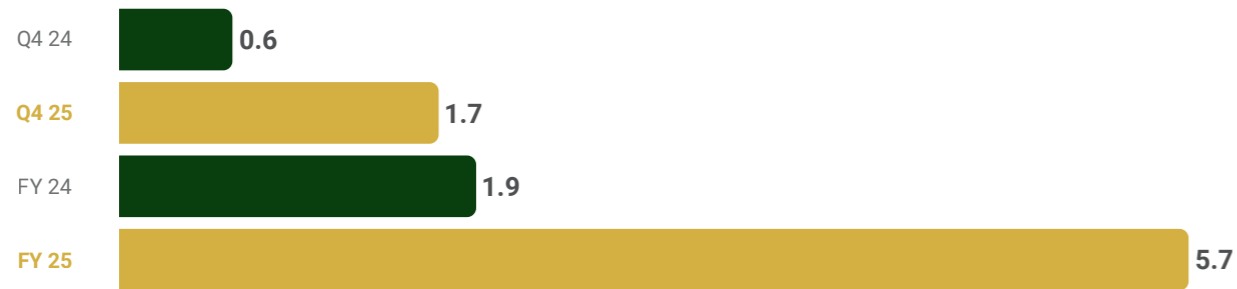
FY2025 EBITDA BY QUARTER

(KWD millions)



FY2025 NET INCOME BY QUARTER

(KWD millions)



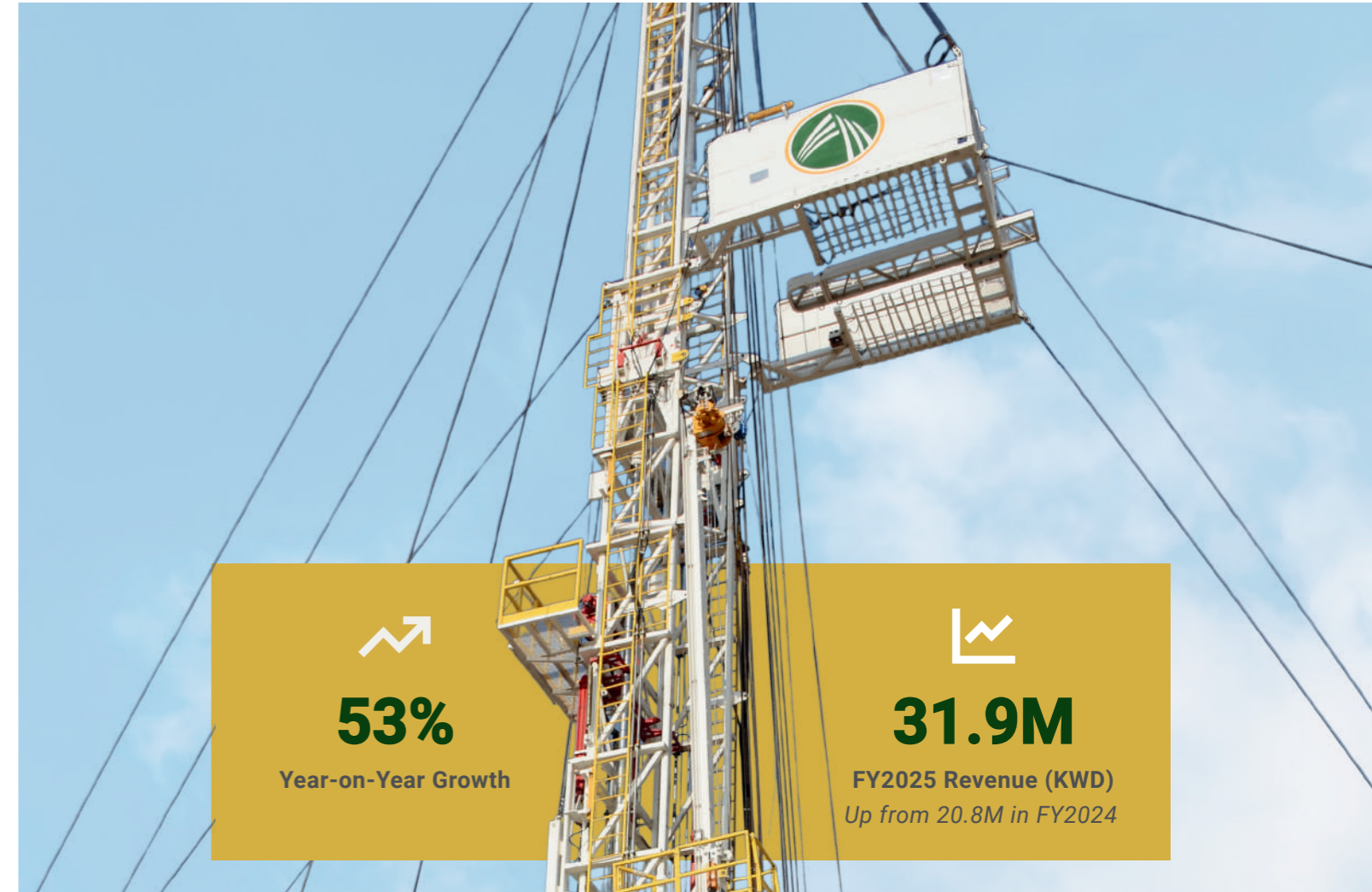
CAPEX 12 MONTH TRAJECTORY

(KWD millions)



REVENUE

Revenue grew 53% year-on-year to KWD 31.9 million (FY2024: KWD 20.8 million), driven by three factors: the doubling of the operational fleet to 20 rigs, the deployment of 10 new workover units, and the initial contribution from specialized oilfield services. This continues a trajectory of rapid top-line growth, with revenue increasing more than doubled since KWD 13.0 million in 2022, reflecting the consistent expansion of the Company's rig capacity and deepening relationship with Kuwait Oil Company (KOC). On a quarterly basis, revenue accelerated throughout 2025, rising from KWD 5.3 million in Q1 to KWD 9.2 million in Q4, demonstrating the ramp-up effect of newly deployed assets.



FY2025 REVENUE BY QUARTER

(KWD millions)



PROFITABILITY

EBITDA rose 57% to KWD 16.4 million (FY2024: KWD 10.4 million), with an EBITDA margin of approximately 51%. As the Company scales its operations, it continues to safeguard and enhance its EBITDA margins. The company achieved an EBITDA margin of 51% in 2025 and has consistently maintained EBITDA margins above 45% each year since 2022, well above the regional peer median of approximately 42%. This margin resilience reflects the efficiency of the Company's young fleet, lean cost structure, and the growing contribution of higher-margin oilfield services, further bolstered in 2025 by the acquisition of a 60% stake in Target NDT.

Gross profit reached KWD 13.8 million (FY2024: KWD 8.0 million), representing year-on-year growth of 72%. Net operating profit rose to KWD 11.8 million, up 80% (FY2024: KWD 6.6 million). Higher general and administrative expenses reflect intentional capability-building, strategic investments in compliance, investor relations, and organizational infrastructure to support a rapidly scaling operating base, rather than cost drift.

Net profit surged 202% to KWD 5.7 million (FY2024: KWD 1.9 million), with net profit attributable to parent shareholders reaching KWD 5.7 million. Basic and diluted earnings per share rose 184% to 14.35 fils (FY2024: 5.06 fils). The Board has recommended a cash dividend of 3% of nominal share value, totaling approximately KWD 1.7 million.

CASH FLOW AND LIQUIDITY

Operating Cash Flows

KWD 10.9M

↑ 23% Increased

Strengthening the Company's capacity to fund growth internally. Cash and cash equivalents surged to KWD 28 million by year-end (FY2024: KWD 11 million), driven by strong operating cash generation, the capital increase, and IPO proceeds. This provides ample liquidity to fund fleet expansion, de-risk the balance sheet, and support the next phase of growth.

CAPITAL EXPENDITURE

Q4 2025

KWD 0.9M

Shift from expansionary spend to generating returns from the fully deployed fleet.

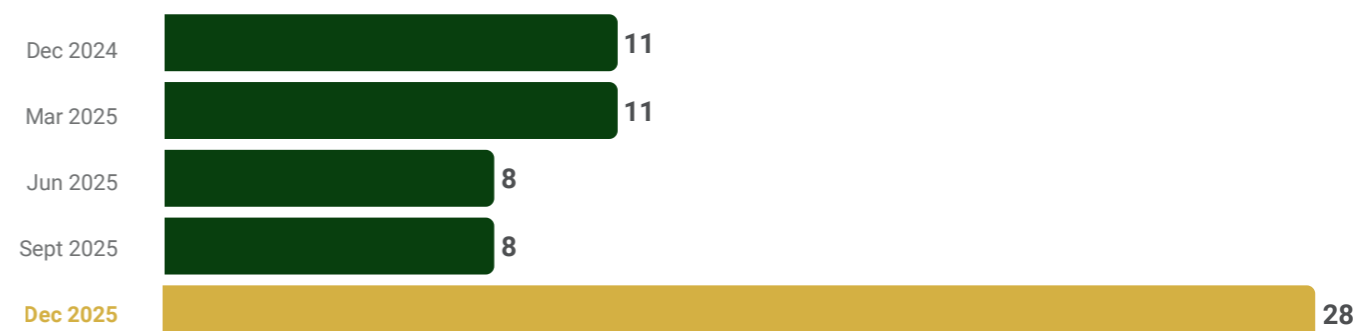
Capital expenditure declined significantly to KWD 0.9 million in Q4 2025 as the rig-build program concluded, marking a clear shift from expansionary spend to generating returns from the fully deployed fleet. Total capex for the period reflected the final phase of the 2024 rig construction program, with the heavy build phase (KWD 14.0 million in Q4 2024 and KWD 10.8 million in Q1 2025).

BALANCE SHEET STRENGTH

Total assets grew to KWD 166.3 million (FY2024: KWD 136.5 million), driven by the expanded rig fleet (property, plant and equipment of KWD 125.0 million) and higher cash balances. Equity attributable to the equity holders of the Parent Company more than doubled to KWD 83.8 million (FY2024: KWD 39.8 million), reflecting the capital increase, conversion of preference shares, and the private placement associated with the listing on the Premier Market of Bursa Kuwait. The net debt-to-equity ratio improved sharply to 0.55x (FY2024: 1.45x), nearly halving, reflecting a significantly stronger and more resilient capital structure. Long-term borrowings stood at KWD 72 million, comprising conventional bank facilities and Islamic financing arrangements.

CASH & EQUIVALENTS 12 MONTH TRAJECTORY

(KWD millions)



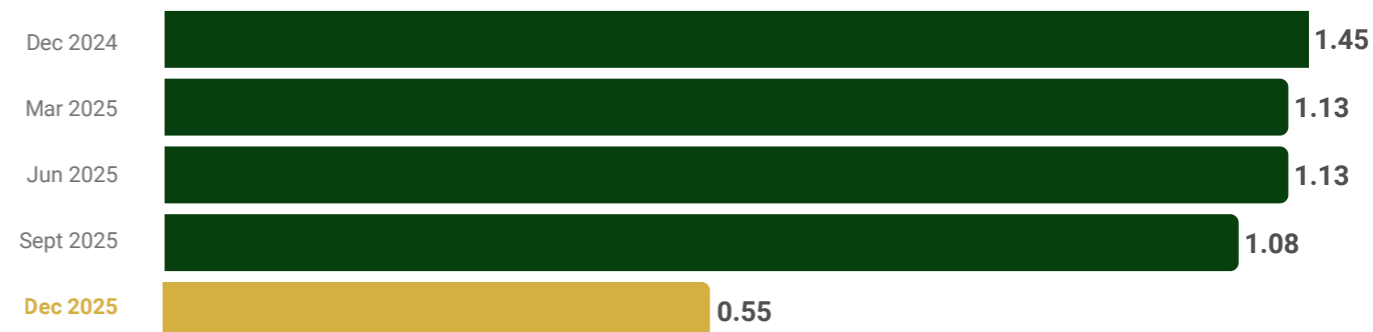
LONG TERM BORROWINGS 12 MONTH TRAJECTORY

(KWD millions)



NET DEBT/EQUITY 12 MONTH TRAJECTORY

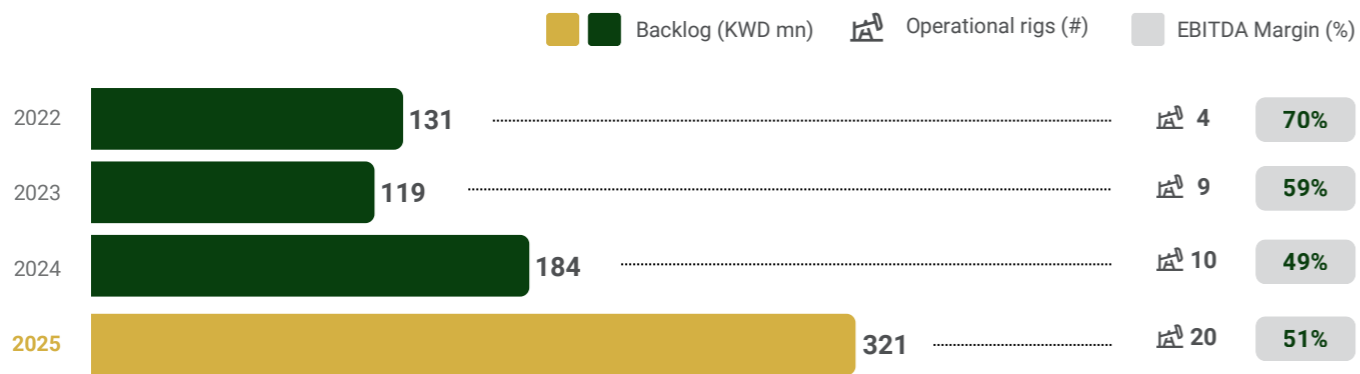
Multiplier (xx)



BACKLOG

The total backlog reached a record KWD 321 million, up 75% year-on-year (FY2024: KWD 184 million), providing multi-year revenue visibility. The backlog has grown from KWD 63 million in 2020 to KWD 131 million in 2022 and KWD 321 million in 2025, reflecting growth in rig capacity, expansion into oilfield services, and continued market share gains. By segment, 72% of the backlog relates to drilling services and 28% to oilfield services. The average contract duration is 5.3 years, with a weighted average residual contract life of 5.0 years. Virtually all backlog is KWD-denominated and contracted primarily with KOC (94%), providing currency stability and exceptional counterparty quality. The backlog-to-net-debt ratio stands at 6.9x, underscoring the protective value of contracted revenues against balance sheet leverage.

RESILIENT BUSINESS MODEL PROVEN ACROSS CYCLES (2022-2025)



BACKLOG BY SEGMENT

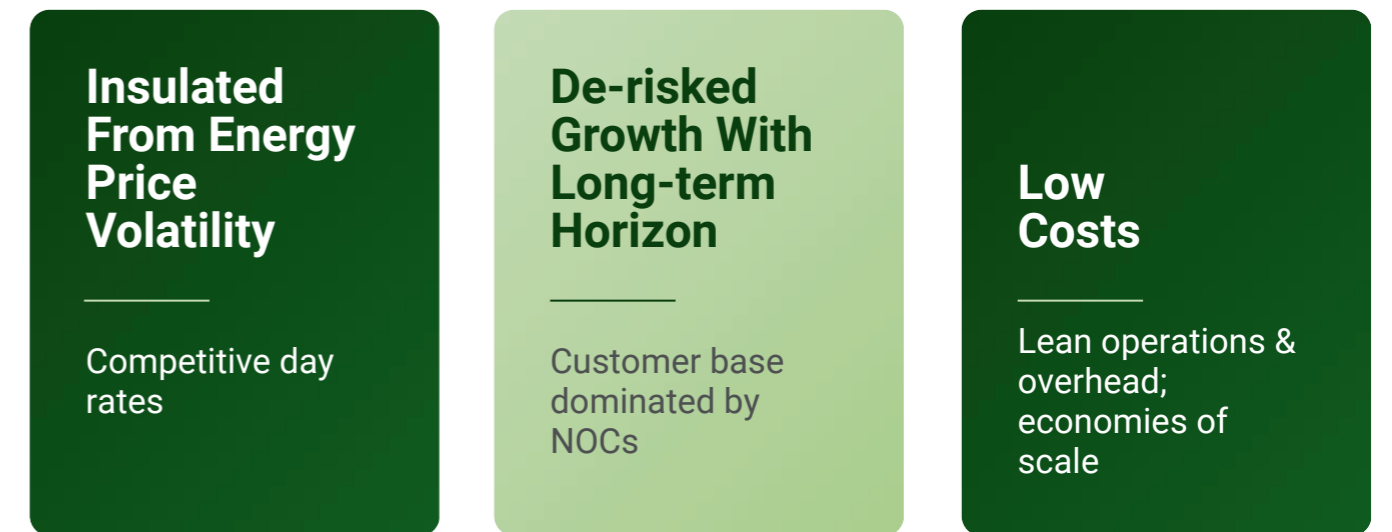
(%)



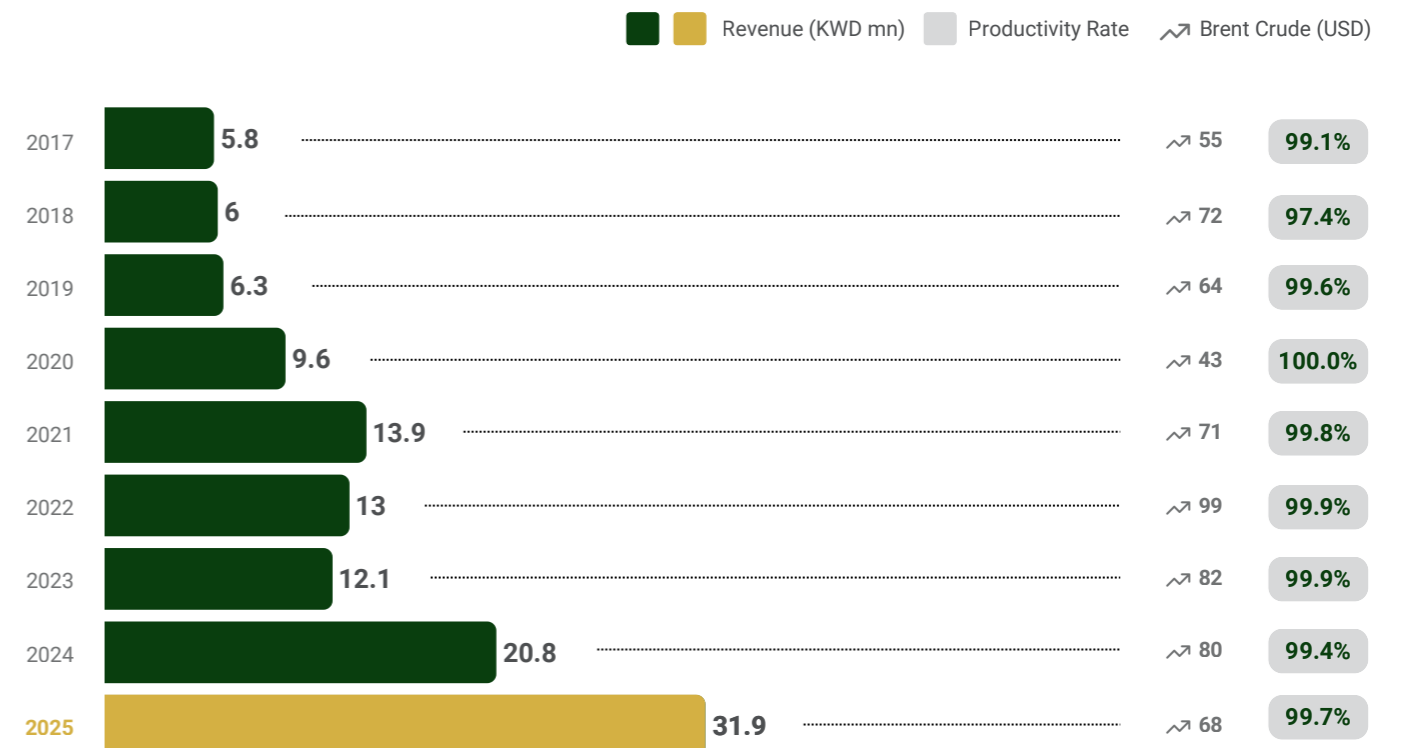
HISTORICAL FINANCIAL TRAJECTORY

In FY2025, revenue reached KWD 31.9 million with 20 operational rigs and a productivity rate of 99.8%, continuing the Company's track record of near-perfect operational uptime regardless of oil price cycles or market conditions. The business model's resilience is further evidenced by the fact that backlog has grown from KWD 131 million in 2022 to KWD 321 million in 2025, an increase of KWD 190 million, while contracted rigs expanded from 4 to 20 over the same period.

REVENUE & PRODUCTIVITY THROUGHOUT MARKET CYCLES



UTILIZATION STAYED ABOVE 97% REGARDLESS OF OIL PRICES OR MARKET CONDITIONS (2017-2025)



Company Overview



WHO WE ARE

Action Energy Company K.S.C.P. (AEC) “the Company” (Bursa Kuwait: ALFTAQA) is Kuwait's leading private upstream oil services partner and the owner-operator of one of the youngest and most technologically advanced rig fleets in the MENA region. Established in 2015 and listed on Bursa Kuwait in December 2025, the Company operates through two complementary business segments: Drilling Services, supported by a modern, high-utilization rig fleet; and Oilfield Services, providing full well lifecycle support through a combination of in-house capabilities and strategic technical partnerships.

As of year-end 2025, AEC operates 20 rigs across Kuwait's major producing areas, including South and East Kuwait, North Kuwait, West Kuwait, and the Ratqa/DMZ/ UN region, representing approximately 10% of Kuwait's active rig fleet. With seven additional rigs currently under manufacture, this share is expected to rise to 12–15%.

BUSINESS MODEL

AEC operates as a fully integrated platform supporting the complete lifecycle of drilling and well services. The business model combines two complementary pillars. Drilling Services accounts for approximately 72% of the total backlog, powered by a high-specification fleet ranging from 550 HP to 3,000 HP with a total installed capacity of 20,600 HP (rising to 29,000 HP with the seven new rigs). The Company is prequalified for drilling, workover, and heavy oil services, with enhanced rig-move capabilities designed to optimize operational efficiency, safety, and cost.

Oilfield Services, while contributing approximately 1% of FY2025 revenue, represents 28% of the total backlog and is the Company's fastest-growing segment. Capabilities span electric submersible pumps (ESP), slickline, once-through steam generators (OTSG), tubular and mobile equipment inspection, directional drilling, wireline, cementing, coiled tubing, and workshop services. These services are delivered through a combination of in-house operations and strategic JV partnerships with leading international technology providers including TRG, COSL, CPVEN, Expert Optima, Kerui, Jereh, NaftoServ, and Gilgamesh.

The strategy has been consistent throughout: combine a young, efficient fleet with deep operational expertise, long-standing customer relationships, and international technology partnerships. This approach has enabled rapid scaling, market share capture, and the construction of multi-year earnings visibility.

MARKET POSITION

AEC holds a leading position in Kuwait's onshore drilling market, operating 14 with 3 rigs under construction in the 750–1,499 HP segment. Since inception, the Company has maintained a 94% success rate across all drilling tenders and achieved 100% fleet utilization, compared with the Kuwait industry average of approximately 80% in 2025 and the GCC average of around 64% in 2024. Non-productive time has remained consistently below 1%, and the average LTIR stands at 0.01, approximately 96% below the global onshore average. KOC accounts for approximately 94% of the total backlog, reflecting the depth and strength of this relationship.



INDUSTRY FUNDAMENTALS

Kuwait's upstream sector is underpinned by exceptionally strong fundamentals. The country holds oil and gas reserves with an estimated life of approximately 276 years, among the longest globally, with a low lifting cost of approximately US\$8.5 per barrel, placing it at the bottom of the global cost curve. CO₂ intensity stands at just 8.5 kg per barrel, underscoring the long-term competitiveness of Kuwait's production base.

On a global level, conventional oil and gas are expected to remain central to the energy mix, accounting for approximately 55% of global primary energy supply by 2030. Meeting this demand will require approximately 21 million barrels of oil equivalent per day in incremental production by 2030, with the GCC projected to provide nearly 23% of the world's oil supply by that time. GCC upstream capital expenditure has risen from approximately US\$24 billion in 2020 to over US\$43 billion in 2024, with the region's share of global upstream spend projected to reach 14% by 2025.

Kuwait has seen onshore rig activity expand consistently, with the rig count nearly tripling from 94 in 2012 to 240 in 2024, a 155% increase that far outpaces both GCC growth (38%) and global growth (6%) over the same period. Government-backed expansion plans target crude production capacity of 4.0 million barrels per day by 2035 and free gas production of 2 billion cubic feet per day by 2040. Industry estimates indicate a requirement of approximately 120 drilling contracts and 81 workover contracts between 2025 and 2030, supported by KOC's annual upstream capital expenditure program of approximately US\$9–10 billion.

OUR GROWTH STRATEGY

Market leadership

Sustaining and growing market leadership in Kuwait, where onshore drilling demand remains structurally strong and supported by KOC's long-term production targets. With one of the youngest fleets in the country and a 94% tender success rate, the Company is well-positioned to capture its share of the incremental drilling and workover contracts expected over the coming years.

Expanding services

Expanding and diversifying the oilfield services platform. The Company has already secured prequalifications and awards in various oilfield services and continues to pursue additional service line prequalifications. Strategic partnerships with global technology providers enable knowledge transfer, capability enhancement, and a gradual transition from JV-based participation to independent execution. This diversification broadens AEC's role as a partner to KOC, deepens integration with the upstream value chain, and enhances resilience through recurring service revenues.

Regional expansion

Preparing for regional expansion and selective M&A across the GCC, where significant incremental demand for drilling and workover rigs is expected by 2030. Growth avenues include bidding independently using existing prequalifications, entering into JVs, and selectively acquiring local operators or service providers to accelerate market entry. Within Kuwait, bolt-on acquisitions in oilfield services segments are also being assessed. All expansion is guided by a disciplined capital allocation framework, maintaining conservative leverage and a focus on sustainable shareholder returns.

OUR JOURNEY

2015

Foundation

Founded with the vision to lead Kuwait's oil services and drive technology transfer through strategic partnerships.

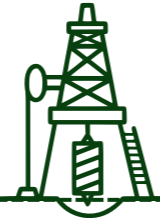
First KOC Contract

Awarded 5-year drilling contracts for two 1500 HP rigs by KOC, which were both extended to 2023.

2016

Expansion to Oil Services

Under JV with CPVEN, awarded first Coil Tubing contract with KOC which renewed in 2020.



2018

Expansion in Deep Drilling

Secured 5-year contract in 2018 for two 3000 HP rigs with KCA Deutag - mobilized in 2020 & 2021.



2019

Further Services Expansion

Cementing and Mud Engineering contracts awarded to JV with CPVEN, totaling USD 156 mn.



2025

Operational Diversification

Targeted Drilling and workover, Inspection, Slickline, OTSG, ESP contracts. Acquired "Target NDT" for inspection service in April 2025.

2024

Corporate Transformation

Issued USD 55 million in preference shares fully subscribed by GIC. New contract for 10 additional rigs.



2022

Further Expansion

Renewed two 1500 HP rigs and added six 750 HP rigs. Raised capital to KWD 20 million.



2021

Sales of Contracts to NESR

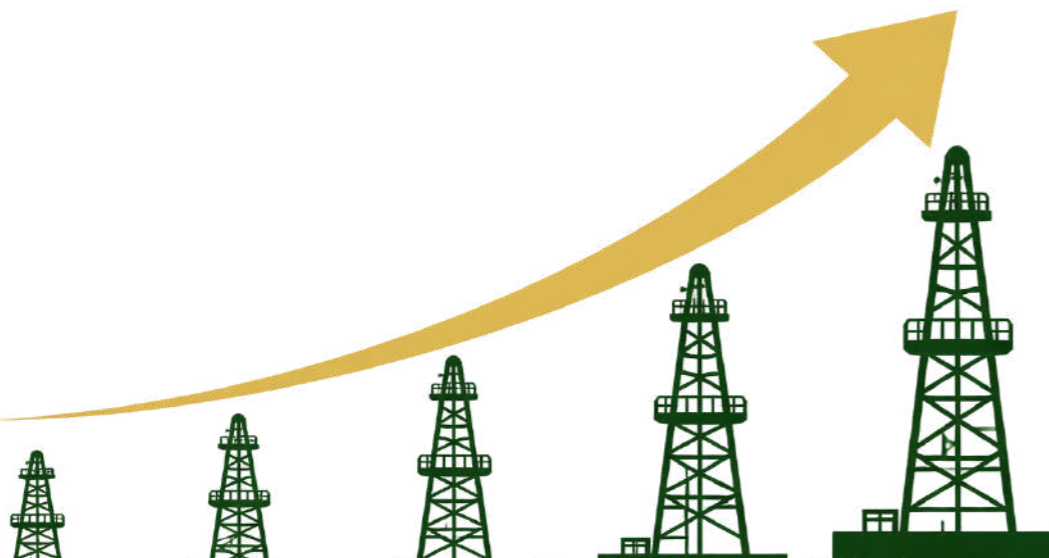
Sold coil tubing, cementing, and mud engineering JV contracts.



Future

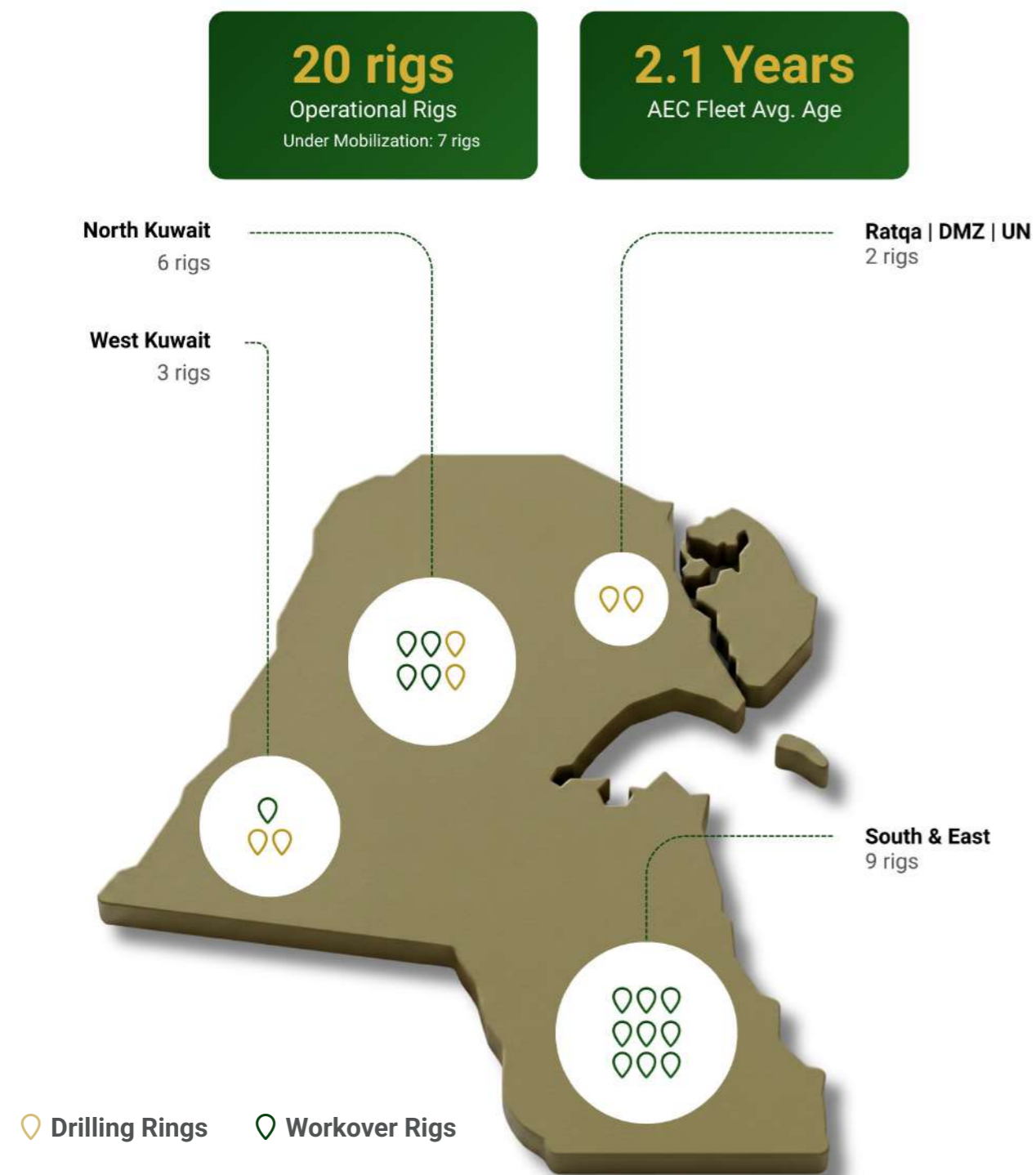
Broader Market Reach

- Increase number of rigs.
- Expand services.
- Explore new geographies and explore growth through opportunistic M&A.



WHERE WE OPERATE

AEC operates one of the youngest and most modern rig fleets in Kuwait and the wider MENA region, with an average rig age of just 2.1 years compared to the Kuwait market average of approximately 15.9 years. Of the Company's 20 operational rigs, 18 have been delivered or comprehensively refurbished since 2022. The fleet spans a broad horsepower range: 2 rigs below 750 HP, 14 rigs in the 750–1,499 HP range (making AEC the largest operator in this segment in Kuwait), 2 rigs at 1,500 HP, and 2 rigs at 3,000 HP and above. Each rig is designed for mobility and efficiency, supported by advanced rig-move systems, joystick controls, and predictive maintenance technology. The fleet provides a durable and cost-effective base to meet Kuwait's growing drilling demand.



AWARDS & RECOGNITIONS

A FOUNDATION OF SAFETY AND EXCELLENCE

AEC's operational track record has been consistently recognized by KOC since the Company's first year of operations. These recognitions, spanning safety milestones, operational performance, and HSE best practices, reflect the Company's embedded safety culture, the reliability of its fleet, and the caliber of its workforce. They serve as a critical competitive differentiator in securing and renewing long-term contracts.

LTI-FREE SAFETY AWARDS

KOC has recognized AEC with consecutive Lost Time Incident-Free safety awards every year since 2016, reflecting a sustained culture of zero-harm across the Company's drilling operations:

Award	Rig(s)	Year
9-Year Free LTI Safety Award	SD-16	2025
8-Year Free LTI Safety Award	SD-16	2024
7-Year Free LTI Safety Award	SD-15 & SD-16	2023
6-Year Free LTI Safety Award	SD-15 & SD-16	2022
5-Year Free LTI Safety Award	SD-15 & SD-16	2021
4-Year Free LTI Safety Award	SD-15 & SD-16	2020
3-Year Free LTI Safety Award	SD-15 & SD-16	2019
2-Year Free LTI Safety Award	SD-15 & SD-16	2018
1-Year Free LTI Safety Award	SD-15 & SD-16	2016/2017

Best Rig of the Month

KOC's Best Rig of the Month award recognizes the top-performing rig across its entire contractor fleet based on HSE initiatives, operational practices, and worksite standards:



Best Performing Rig & Rig of the Year

Rig of the Year (2017)

Rig SD-15 was awarded "Rig of the Year" by KOC Development Drilling Group I, receiving three distinctions: Best Performance, Most Wells Drilled, and Safety Award.

Best Performing Rig (2017)

Rig SD-16 was awarded "Best Performing Rig" by KOC Development Drilling Team IV for 2017, recognizing the rig's consistent operational excellence across all performance metrics.

Operational Excellence

Letter of Appreciation for Good Performance

(February 2022): KOC recognized Rigs SD-15 and SD-16 for consistently demonstrating excellent performance, with both rigs scoring an average of 95% on the RigConES (Rig Contractor Evaluation System) and ranking 2nd and 4th respectively out of 126 rigs operating in Kuwait.

Certificate of Appreciation for Outstanding HSE Performance

(May 2022): Awarded to Rig SD-15 in recognition of outstanding performance in HSE activities, implementing best HSE practices, and developing HSE training materials.

Letter of Excellent Rig Move Performance

(December 2021): KOC commended AEC for consistently demonstrating excellent rig move performance, with 99% of rig moves completed within the contractual time over the preceding three years. Based on KOC data, rig moves performed by the Company between 2022 and H1 2025 saved approximately 55% of days compared to the standard rig move days granted by KOC

KOC Recognition for Best Practice During COVID-19

(November 2020): AEC's crew rotation protocol during the pandemic was selected by KOC as a best practice and presented at the Business Partners HSE Meeting as a model for other drilling contractors to adopt.

KOC Nomination for CEO Award for Best Facility/Practices in HSE

(December 2019): Rig SD-15 was shortlisted among three rigs from a total of 30 nominations across Deep Drilling, Development Drilling Group I, and Development Drilling Group II for KOC's CEO Award.

Safety Performance

The Company's safety record is among the strongest in the industry. In 2025, AEC achieved a Lost Time Incident Rate (LTIR) of:

Lost Time Incident Rate **0.01**

Approximately **96% below** the global onshore average of 0.23.

✓ The Company has maintained zero employee fatalities since inception.

Certifications

AEC maintains international management system certifications that underpin its operational standards:



ISO 45001
Occupational Health & Safety



ISO 9001
Quality Management



ISO 14001
Environmental Management

Corporate Governance

Corporate Governance

INTRODUCTION TO GOVERNANCE:

Action Energy Company (“the Company”) is committed to implementing best practices in corporate governance, based on its firm belief that sound governance provides a solid foundation for effective management, sustainable performance, and the strengthening of the confidence of shareholders and stakeholders.

The Company commits to applying the corporate governance rules and principles issued by the Capital Markets Authority, in accordance with the provisions of the Executive Regulations of Law No. (7) of 2010 on the Establishment of the Capital Markets Authority and the Regulation of Securities Activity and their amendments, and in line with the requirements of Book Fifteen of the Executive Regulations. This commitment aims to embed a governance culture, enhance transparency, and achieve a fair balance between the interests of the Board of Directors, executive management, shareholders, and all stakeholders.

Following the Company’s listing on the Kuwait Stock Exchange on 17 December 2025, the Board of Directors, in cooperation with executive management, has taken the necessary steps to develop and implement an integrated corporate governance framework. This included preparing and adopting policies, bylaws, and internal systems that regulate the Company’s operations and define the powers, responsibilities, and duties of the Board of Directors, its committees, executive management, and employees. These documents will be reviewed and updated periodically in accordance with the Authority’s requirements and best practices.

During the current financial year (2026), the Company is committed to completing the implementation of all governance rules and standards and complying with the related requirements of the Capital Markets Authority, including preparing and submitting governance reports on time. The relevant committees and the Board will commence their supervisory and oversight duties once the appointment of the independent member by the General Assembly, scheduled to be held on 7 May 2026, is finalised, through periodic monitoring and the reports submitted to them.

Rule One: Construct a Balanced Board Composition

BRIEF ON THE COMPOSITION OF THE BOARD OF DIRECTORS, AS FOLLOWS:

SHEIKH MUBARAK ABDULLAH AL MUBARAK AL SABAH

Member Classification / Role: *Non-executive*

Date of Election / Appointment: 22/09/2025

Educational Qualifications and Professional Experience:

Sheikh Mubarak has an impressive track record in business, entrepreneurship, investments, and leadership. He is a prominent figure in the Kuwait business and social sectors. He has been instrumental in spearheading several prominent real estate and hospitality projects, which have all contributed to raising international standards in Kuwait and that of the Middle East. Sheikh Mubarak holds an M.Phil in International Studies from the University of Cambridge (UK) and a BA (Hons.) in Politics with Economics from the University of Buckingham (UK). In addition, he is a graduate of the Royal Military Academy of Sandhurst (UK) and has served in the Kuwaiti Armed Forces as an Armored Officer, as well as the Kuwait National Guard.

He is the Vice-Chairman of Action Group Holdings (AGH), and Founder and Chairman of Action Real Estate (K.S.C.C), one of Kuwait’s major private real estate companies, with a portfolio of assets across the Middle East,

Australia, Europe and UK. Additionally, he is the founding Chairman of Action Hotels Limited, which was listed on the Alternative Investment Market (AIM) stock market in the UK from December 2013 to 2018. He is also the founding Chairman of Action Energy Company.

Sheikh Mubarak also served on several boards of leading companies. He served as the founding Chairman of Qurain Petrochemical Industries Company K.S.C. (QPIC) since its inception till 2022, a publicly listed company in Kuwait. Qurain was established by an Amiri Decree in and was listed on the Kuwait Stock Exchange in July 2007 as one of the largest IPOs in the Kuwait market, with over 400,000 shareholders. He represented QPIC, PIC, and Dow Chemicals on the board of Equate Petrochemicals, which was one of the most significant FDI investments in the state.

During Sheikh Mubarak’s tenure as Chairman of QPIC, Qurain’s total assets grew from KD 110 million to KD 785 million, and it acquired significant stakes in SADAFCO (listed on the Saudi Stock Exchange), National Petroleum Services “NAPESCO”, Jassim Transport & Stevedoring Company “JTC”, and Advanced Technology Company “ATC” (all three are listed on the Kuwait Stock Exchange).

Additionally, Sheikh Mubarak served as a board member of EQUATE, Kuwait’s first and most significant international joint venture. The company was founded with a clear direction from the government of Kuwait, represented by the Petrochemical Industries Company (PIC), to engage the private sector to participate within the Oil and Gas sectors.

Currently, he serves on the board of Valmore Holdings (Previously Egypt Kuwait Holdings), a leading Egyptian industrial and financial company with a diversified portfolio of investments, listed in the Kuwait and Egypt stock markets.

In addition, he is the Co Vice Chairman of Blue Five Capital, an alternative investment company with offices in London, Abu Dhabi, Manama, and Beijing.

He is conferred in 2017 with the French government’s highest civilian distinction “Le Chevalier de la Légion d’Honneur” (Knight of the Legion of Honor) awarded by the France President and French Republic.

Honored as ‘Businessman of the Year in Kuwait’ by The Arabian Business Magazine in 2019.

Honored as a Young Global Leader (YGL) in 2009 by the World Economic Forum (WEF) and is member of the Kuwait chapter of Young President Organization (YPO).

Member the Kuwait Economic Society, Honorary Chairman of the Kuwait Sea Sports Club, and Member of the International Institute for Strategic Studies.

Conferred the joint Fellowship in Pembroke College, University of Cambridge – United Kingdom.

RAWAF IBRAHIM HAMOUD BOURSALI

Member Classification / Role: *Non-executive*

Date of Election / Appointment: 22/09/2025

Educational Qualifications and Professional Experience:

Eng. Rawaf I. Bourisli is an architect by education, graduated from Oklahoma State University School of Architecture in the United States. He serves as General Manager for Action Real Estate Company, one of the prominent Real Estate companies in Kuwait and the region. He was part of the establishment of Action Hotels Company in 2006. He played a key role in the company’s growth and expansion into the hospitality sector,

including planning and executing its listing on the AIM market in London in 2014.

With over 20 years of experience across several industries, Mr. Bourisli is key to developing the company's business portfolios and has overseen its day-to-day operations since its inception. He has led several significant developments in the company since 2014.

Mr. Bourisli has won several awards, including the Arabian Commercial Property Award for the best retail development in Kuwait, the European 2014 MENA Award for Retail Developer of the Year, the Sponsor, World Mental Health Day 2012, the Iron Design Certificate, Oklahoma State University, etc. He is a member of the Kuwait Society of Engineers

Additionally, Mr. Bourisli serves as an Executive Director of Action Hotels Company and as Chairman of Ebla Computer Consultancy, a pioneer in Information Technology in Kuwait and Qatar

AHMED MOHAMMED AHMED AL AJLAN

Member Classification / Role: *Executive*

Date of Election / Appointment: *22/09/2025*

Educational Qualifications and Professional Experience:

With over 30 years of experience spanning both the public and private sectors, he is recognised as an expert in strategic leadership and corporate management within listed companies. He began his professional career in the late 1980s at a packaging and plastics manufacturing company, before serving as Head of Training and Development at the Public Authority for Industry (PAI). He subsequently joined Kuwait Lube Oil Company in the early 1990s and later established a solid career in public companies, serving an 11-year tenure with Kuwait Clearing Company.

He served on several boards of listed companies in various sectors, including Qurain Holding Company, Qurain Petrochemical Industries Company (QPIC), and Zumorroda Leasing and Finance Company.

A Graduate of Kuwait University with a Bachelor of Business Studies, he attended training courses in London and New York sponsored by Goldman Sachs and Merrill Lynch.

TALAL MISHARI YOUSEF AL QASSAR

Member Classification / Role: *Non-executive*

Date of Election / Appointment: *22/09/2025*

Educational Qualifications and Professional Experience:

Talal Al Qassar has almost ten years of experience in investments and consulting. He is currently Vice President in the Principal Investment sector at Gulf Investment Corporation (GIC). Before joining GIC, Talal held various positions at Tri-International Consulting Group and Oliver Wyman in Dubai. He worked on numerous consulting projects involving economic development, infrastructure, and real estate in Saudi Arabia, Kuwait, and the UAE for both private and public-sector clients.

Talal holds a Master of Business Administration from London Business School, a Master of Engineering from Lehigh University, and a Bachelor of Science in Industrial Engineering with a Minor in Economics from Pennsylvania State University – University Park.

VIKAS ARORA

Member Classification / Role: *Non-executive*

Date of Election / Appointment: *22/09/2025*

Educational Qualifications and Professional Experience:

Mr Vikas Arora is a senior finance professional and entrepreneur with over 25 years of experience across varied businesses and geographies. He has completed his chartered accountancy qualification in India, an Entrepreneurship program at Oxford University, London, and a Corporate Governance program at Wharton Business School, USA. He has worked as Group CFO/head of corporate finance and board advisor for multi-national companies, including Action group of companies, Alshaya group, and his well-diversified experience includes raising investor capital for growth, managing multi-billion\$ capital/debt portfolio, helping businesses achieve successful exits, IPO, corporate and family governance matters, international tax etc., besides being a strategic investor into businesses in India, GCC, US, in varied sectors including tech, health care and real estate

ASSER MAHMOUD

Member Classification / Role: *Board Secretary*

Date of Election / Appointment: *24/09/2026*

Educational Qualifications and Professional Experience:

Holds a Bachelor's degree in Accounting, along with multiple professional certifications, including the CISI/ KCMA Certificate in Kuwait Capital Markets Authority Rules and Regulations from the Chartered Institute for Securities & Investment; the International Certified Corporate Governance Officer (ICCGO) from the Association of Governance, Risk and Compliance; the Certified Financial Crimes Investigator (CFCI) from the International Association of Financial Crimes Investigators; and both the Governance, Risk and Compliance Auditor (GRCA) and Governance, Risk and Compliance Professional (GRCP) certifications from OCEG. He brings 24 years of experience across diverse fields.

Note:

No independent members were appointed during the financial year ended 31 December 2025, due to the Company's recent listing on Boursa Kuwait on 17 December 2025. The Company affirms its full commitment to complying with Capital Markets Authority requirements, and the Board's composition will be completed in accordance with applicable regulatory requirements by appointing independent members at the Ordinary General Assembly scheduled for 7 May 2026.

BRIEF ON THE COMPANY'S BOARD OF DIRECTORS' MEETINGS, THROUGH THE FOLLOWING STATEMENT: BOARD OF DIRECTORS MEETINGS IN 2025

Name of Member	Meeting No.	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
held on		10/02/25	26/03/25	20/05/25	25/06/18	23/06/25	07/08/25	24/09/25	25/09/25	28/09/25	02/10/25	21/10/25	04/11/25	12/11/25	20/11/25	10/12/25
Sheikh Mubarak Abdullah Al Mubarak Al Sabah		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rawaf Ibrahim Hamoud Boursali		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Mohammed Ahmed Al Ajlan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Talal Mishari Yousef Al Qassar		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vikas Arora		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asser Mahmoud		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

1. Meeting No. (1) was cancelled by the Legal Department.
2. Meeting No. (2) was cancelled by the Legal Department.
3. Board of Directors Meeting – 10 February 2025:

Approval was granted for the establishment of the Audit and Risk Committee and the Nomination and Remuneration Committee, along with the adoption of the following policies and procedures:

- Governance policies and procedures
 - Human Resources and Administrative Affairs policies and procedures
 - Procurement policies and procedures
4. Board of Directors Meeting – 26 March 2025:
Approval of the financial statements for the year ended 31 December 2024.
 5. Board of Directors Meeting – 20 May 2025:
Approval of the following:
 - Increase of the authorised capital to KWD 100,000,000
 - Increase of the issued and paid-up capital to KWD 37,000,000
 - Increase in the number of Board members to seven
 - Calling for an Extraordinary General Assembly
 6. Board of Directors Meeting – 18 June 2025:
Recommendation to distribute bonus shares amounting to KWD 17,500,000.
 7. Board of Directors Meeting – 23 June 2025:
Approval of the recommendation to add new activities to the Company.
 8. Board of Directors Meeting – 07 August 2025:
 - Preliminary approval of the recommendation to list the Company on Bursa Kuwait
 - Calling for the Ordinary General Assembly
 9. Board of Directors Meeting – 24 September 2025:
Reconstitution of the Board of Directors.
 10. Board of Directors Meeting – 25 September 2025:
 - Approval of the increase in the Company's share capital.
 - Approval of amendments to the following Articles:
 - Article 5
 - Articles 4–6
 - Approval by the Extraordinary General Assembly to amend the rights of preferred shareholders
 - Article 22
 - Article 29
 - Article 44
 - Article 56
 - Article 76
 - Article 77
 - Article 78
 - Article 79
 11. Board of Directors Meeting – 28 September 2025:
Approval of the unaudited interim condensed consolidated statement of financial position as at 30 June 2025.
 12. Board of Directors Meeting – 2 October 2025:
Approval for Amalia Energy Company to enter as a partner in Sun Drilling Kuwait Company for oil well drilling.
 13. Board of Directors Meeting – 21 October 2025:
Approval of the increase in the Company's share capital through the conversion of preferred shares into ordinary shares.
 14. Board of Directors Meeting – 4 November 2025:
Increase in the Company's issued and paid-up share capital.
 15. Board of Directors Meeting – 12 November 2025:
Increase in the Company's issued and paid-up share capital to KWD 56,650,000.
 16. Board of Directors Meeting – 20 November 2025:

Approval of the increase in the Company's issued and paid-up share capital through a private placement.

17. Board of Directors Meeting – 10 December 2025:

Approval of the financial statements for the third quarter ended 30 September 2025.

Note:

The increase in the number of Board of Directors meetings during the second half of the financial year ended 31 December 2025 is attributable to the completion of listing procedures and requirements.

A summary of how to apply the requirements of registration and coordination, and keep the minutes of meetings of the Board of Directors of the company.

The Company is committed to maintaining a structured register in which the minutes of Board of Directors meetings are recorded sequentially. The minutes capture the date, location, and time of each meeting and provide complete documentation of deliberations, resolutions, voting results, and any reservations, supporting transparency and ease of reference.

The Board Secretary is responsible for coordinating meetings, preparing and circulating agendas and supporting materials in advance, and documenting and finalising the minutes, including arranging for their review and signature by the members in attendance.

All minutes and related records are maintained in a secure and well-organised manner, in both physical and electronic form. Access is made available to Board members as required, enhancing operational efficiency and supporting compliance with applicable governance requirements.

An acknowledgement by the independent member that the controls of independence are available.

No independent members were appointed during the financial year ended 31 December 2025, attributable to the Company's recent listing on Boursa Kuwait on 17 December 2025. The Company affirms its full commitment to complying with Capital Markets Authority requirements, and the Board's composition will be completed in accordance with applicable regulatory requirements by appointing independent members at the Ordinary General Assembly scheduled for 7 May 2026.

Rule II: Establish Appropriate Roles and Responsibilities

Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management

The Company adopts an integrated governance framework that clearly defines and allocates roles, responsibilities, duties, and authorities between the Board of Directors and Executive Management. This framework supports operational efficiency and reinforces transparency and accountability, in line with best practice governance principles and applicable laws and regulations.

The Board Charter sets out the Board's key roles and responsibilities, including strategic oversight of the Company's activities, approval of policies and internal regulations, monitoring Executive Management's performance, and ensuring compliance with applicable laws and regulations. In its capacity as the shareholders' representative, the Board of Directors retains the broadest authority to manage the Company's affairs, in accordance with applicable rules and regulations.

In parallel, Executive Management, led by the Chief Executive Officer, is responsible for managing day-to-day

operations and implementing the strategies, plans, and policies approved by the Board, within the scope of delegated authority. Executive Management is also committed to providing periodic reports to the Board to enable it to effectively discharge its oversight and supervisory responsibilities.

The Company has also adopted a Delegation of Authority (DOA) framework as a formal governance tool to define the authorities delegated to Executive Management across various administrative levels. The DOA specifies decision-making levels, financial and administrative thresholds, and control and oversight mechanisms, ensuring clear lines of responsibility and accountability, appropriate segregation of duties, and a balanced approach between effective delegation and institutional control.

This governance framework further confirms that the DOA is subject to review, endorsement, and final approval by the Board of Directors, as it constitutes a fundamental governing policy of the Company. The DOA does not become effective or enforceable unless formally approved by the Board, and any subsequent amendments or updates are subject to the same review and approval process.

Finally, the framework affirms that delegation of authority does not limit or diminish the Board of Directors' ultimate authority and responsibility. All delegated authorities, whether to Executive Management or to Board committees, remain subject to the Board's oversight, monitoring, and supervision. The Board retains full responsibility for key decisions and for the overall performance of the Company, in accordance with the provisions of the Board Charter.

Achievements of the Board of Directors during the year.

- Establishment of the Audit and Risk Committee and the Nomination and Remuneration Committee.
- Approval of the Company's policies and procedures.
- Approval of the audited financial statements for the year ended 31 December 2024.
- Increase of the authorised share capital to KWD 100,000,000.
- Increase of the issued and paid-up share capital to KWD 37,000,000.
- Increase in the number of Board members to seven.
- Distribution of bonus shares amounting to KWD 17,500,000.
- Listing of the Company on Boursa Kuwait.
- Reconstitution of the Board of Directors.
- Amendments to certain provisions of the Articles of Association and the Memorandum of Association to complete listing requirements.
- Approval of the unaudited interim condensed consolidated statement of financial position as at 30 June 2025.
- Entry of Action Energy Company (formerly Amalia Energy Company) as a partner in Sun Drilling Kuwait Company for oil well drilling.
- Increase of share capital through the conversion of preferred shares into ordinary shares.
- Increase of the issued and paid-up share capital to KWD 56,650,000.
- Increase of the issued and paid-up share capital through a private placement.
- Approval of the financial statements for the third quarter ended 30 September 2025.
- Policies and frameworks approved and ratified (financial year ended 31 December 2025):

- Audit and Risk Committee Charter
- Nomination and Remuneration Committee Charter
- Board of Directors Charter
- Whistleblowing Policy
- Investor Relations Policy
- Corporate Governance Manual
- Code of Conduct Policy
- Corporate Social Responsibility Policy
- Disclosure and Transparency Policy
- Conflict of Interest Policy
- Shareholders Policy
- Stakeholders Policy
- Confidentiality Policy
- Remuneration Policy
- Human Resources and Administrative Policies and Procedures
- Procurement Policies and Procedures

A brief about the application of the formation requirements of independent specialised committees by the Board of Directors.

The Company established the Board committees during the financial year ended 31 December 2025, pursuant to Board Resolution No. (3) dated 10 February 2025, and approved their respective charters, in compliance with the corporate governance requirements issued by the Capital Markets Authority in accordance with the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended, as follows:

Board of Directors Committees:

1. Audit Committee

Key Responsibilities	: Reviewing periodic and annual financial statements. Monitoring the effectiveness of internal control systems. Recommending the appointment of the External Auditor and assessing the External Auditor's independence. Overseeing the internal audit function.
Committee Achievements During the Year	: Approved the following financial statements: Financial statements for the year ended 31 December 2024. Unaudited interim condensed consolidated statement of financial position as at 30 June 2025. Financial statements for the third quarter ended 30 September 2025.
Date of Formation	: 10 February 2025
Committee Members	: Eng. Rawaf Ibrahim Boursli – Chairman Mr. Talal Mishari Yousef Al-Qassar – Member Mr. Vikas Arora Vinod Kumar – Member Mr. Avinash Bandal – Member Mr. Shadi Azzam – Member
Number of Meetings During the Year	: Three (3) meetings

Note:

Three meetings were held during the year as part of the process of approving key financial statements prior to the Company's listing on Boursa Kuwait on 17 December 2025. The Company is currently working to complete all governance procedures and compliance requirements, including finalising the Board structure and appointing independent members during the Annual General Meeting scheduled for 7 May 2026.

2. Risk Committee

Key Responsibilities	: Monitored the effectiveness of the Company's internal control systems and risk management framework.
Committee Achievements During the Year	: Approved the following financial statements: Financial statements for the year ended 31 December 2024. Unaudited interim condensed consolidated statement of financial position as at 30 June 2025. Financial statements for the third quarter ended 30 September 2025.
Date of Formation	: 10 February 2025
Committee Members	: Eng. Rawaf Ibrahim Boursli – Chairman Mr. Talal Mishari Yousef Al-Qassar – Member Mr. Vikas Arora Vinod Kumar – Member Mr. Avinash Bandal – Member Mr. Shadi Azzam – Member
Number of Meetings During the Year	: Three (3) meetings

Note:

Three meetings were held during the year as part of the process of approving key financial statements, prior to the Company's listing on Boursa Kuwait on 17 December 2025. The Company is currently working to complete all governance procedures and requirements, including finalising the Board structure and appointing independent members at the Ordinary General Assembly scheduled for 7 May 2026.

The Audit Committee and the Risk Committee were established on 10 February 2025, during the financial year ended 31 December 2025, pursuant to Board Resolution No. 3/2025, despite the absence of independent members at that time. This step was taken to implement and embed corporate governance principles within the Company. Following the Company's listing on Boursa Kuwait on 17 December 2025, and in compliance with the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, the Company will complete the governance requirements by appointing two independent members at the Ordinary General Assembly scheduled to be held on 7 May 2026.

3. Nomination & Remuneration Committee

Key Responsibilities	: Establishing nomination policies for Board membership and executive management appointments. Developing and periodically reviewing the remuneration and incentives policy. Evaluating the performance of the Board of Directors and executive management. Reviewing the Company's salary, benefits, and compensation structure.
Committee Achievements During the Year	: None.
Date of Formation	: 10 February 2025
Committee Members	: Sheikh Mubarak Abdullah Al Mubarak Al Sabah – Chairman Eng. Rawaf Ibrahim Boursli – Member Mr. Talal Mishari Yousef Al-Qassar – Member

Number of Meetings During the Year	: No meetings were held in 2025 prior to the Company's listing on Bursa Kuwait on 17 December 2025. The Company is currently working to complete all governance procedures and requirements and to ensure full compliance with the applicable provisions
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Note:

The Nomination and Remuneration Committee was established on 10 February 2025, during the financial year ended 31 December 2025, pursuant to Board Resolution No. 3/2025, despite the absence of independent members at that time. This step was taken to embed and apply corporate governance principles within the Company.

Following the Company's listing on Bursa Kuwait on 17 December 2025, and in line with its commitment to comply with the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended, the Company will complete the governance requirements by appointing two independent members at the Ordinary General Assembly scheduled for 7 May 2026.

A summary of how to apply the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data

- The Company provides multiple channels to enable Board members to obtain accurate information in a timely manner, including:
 - Submitting direct requests to the Chief Executive Officer.
 - Assigning the Board Secretary to coordinate with the relevant departments and obtain the required information.
 - Engaging the Internal Audit function through the Audit Committee and requesting the necessary reports from the Compliance function.

Rule III: Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management:

Brief about the application of the formation requirements of the nominations and remuneration committee.

- Despite the absence of independent members at the time of formation, the Nomination and Remuneration Committee was established in accordance with the requirements set out in Book Fifteen of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended.
- The Committee currently comprises three members:
 - Sheikh Mubarak Abdullah Al-Mubarak Al-Sabah – Chairman
 - Eng. Rawaf Ibrahim Boursli – Member
 - Mr. Talal Mishari Yousef Al-Qassar – Member

Report on the remunerations to the Members of the Board of Directors, the Executive Management and the managers, provided that it shall include the following information as a minimum:

- Summary of the company's policy of compensation and incentives, specifically that related to Members of the Board of Directors, the Executive Management and the managers.

First: Scope and Objectives of the Policy

The remuneration policy applies to members of the Board of Directors and Executive Management. It aims to attract and retain talent, align management's interests with those of shareholders over the medium and long term, and ensure compliance with the corporate governance requirements issued by the Capital Markets Authority in Kuwait.

Second: Board of Directors' Remuneration

- The Board's remuneration policy is determined in accordance with the Companies Law and its Executive Regulations, and is set out in the Company's Articles of Association.
- Remuneration of independent members is subject to approval by the General Assembly.

Remuneration Cap:

- Total Board remuneration shall not exceed 10% of adjusted net profit (after statutory deductions and the distribution of a minimum of 5% of capital to shareholders).
- In the absence of sufficient profits, annual remuneration not exceeding KWD 6,000 per member may be granted.
- The General Assembly may exempt independent members from the remuneration cap.
- Remuneration is paid in cash in accordance with contractual arrangements. Additional compensation may be granted to the Chairman and Vice Chairman in consideration of their additional responsibilities, and special remuneration for exceptional duties is subject to General Assembly approval.
- Basic and additional remuneration are presented annually to the General Assembly for approval.

Third: Executive Management Remuneration

Fixed Salary	: Determined based on the role and responsibilities, in line with the Company's approved salary scale and grading structure.
Variable Incentives	: Linked to individual performance based on KPIs and annual evaluations, with the possibility of an increase upon achieving results that enhance competitiveness over the medium and long term.
Benefits	: Include insurance coverage (death or disability), end-of-service benefits, and retirement entitlements in accordance with applicable labour laws.
Periodic Review	: Executive compensation is benchmarked every three years against market averages for comparable companies within the sector and region.
Promotions and Increments	: Granted strictly based on performance, experience, and qualifications, and in alignment with evaluation results and approved salary structure.

For the year ended 31 December 2025

Fourth: Governance and Approval Procedures

The Nomination and Remuneration Committee is responsible for verifying the availability of profits and ensuring compliance with regulatory caps prior to recommending remuneration. Its recommendations are submitted to the Board of Directors and subsequently to the General Assembly for approval.

2. Include the two following statements:

Remuneration and benefits of Members of the Board of Directors				
Remuneration and benefits through the parent company	Remuneration and benefits through the subsidiaries			
Total number of members	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)
5	0	0	0	0

- No remuneration or financial benefits were paid to members of the Board of Directors during the financial year ended 31 December 2025.

Action Energy Company K.S.C.P. and its Subsidiaries

For the year ended 31 December 2025

Total remuneration and benefits granted to the five senior executives who have received the highest remuneration. This is in addition to the Chief Executive Officer and the financial manager or their deputy.														
Total executive positions	Fixed remuneration and benefits, Kuwaiti Dinar					Variable remuneration and benefits, Kuwaiti Dinar		Variable remuneration and benefits, Kuwaiti Dinar						
	Monthly salaries total of (The year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Monthly salaries total of (The year)	Annual remuneration	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance		
6	39,358	6,006	18,070	30,000	11,880	8,000	40,000	0	0	0	0	0	0	0

- Monthly salaries (total annual amounts)
- Health insurance coverage
- Annual air ticket
- Housing allowance
- Transportation allowance
- Children's education allowance
- Annual bonus
- The details of the remuneration tiers, types, and benefits referenced are illustrative and not exhaustive, and may include, without limitation: Any substantial deviations from the remuneration policy approved by the Board of Directors:
- The Company also confirms that there are no deviations from the approved remuneration policy.

Rule IV: Safeguard the Integrity of Financial Reporting:**Written undertakings by both the Board of Directors and the Executive Management regarding the soundness and integrity of the prepared financial reports.:**

The principle of written representations was applied during the financial year ended 31 December 2025 through the following measures:

- A written representation from the Chief Executive Officer and the Head of the Finance Department, addressed to the Board of Directors and the Audit Committee.
- A written representation from the Board of Directors, addressed to the General Assembly.

This was carried out in accordance with the provisions of Book Fifteen of the Executive Bylaws of Law No. (7) of 2010 concerning the establishment of the Capital Markets Authority and the regulation of securities activities, as amended.

A brief about the application of the formation requirements of the audit committee.

The Audit Committee was formed in accordance with the requirements of Book Fifteen of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended, and comprised the following members:

- Eng. Rawaf Ibrahim Boursli – Chairman
- Mr. Talal Mishari Yousef Al-Qassar – Member
- Mr. Vikas Arora Vinod Kumar – Member
- Mr. Avinash Bandal – Member
- Mr. Shadi Azzam – Member

This composition remained in place during the financial year ended 31 December 2025, notwithstanding the absence of independent members. Independent members are expected to be appointed by the Ordinary General Assembly scheduled for 7 May 2026, following the Company's listing on Boursa Kuwait on 17 December 2025.

In the event of any conflict between the audit committee's recommendations and the Board of Directors' resolutions, a statement shall be included in detailing and clarifying the recommendations and the reason(s) for the Board of Directors' non-compliance therewith.

There were no instances of conflict between the Audit Committee's recommendations and the decisions of the Board of Directors during the financial year 2025.

Verification of the independence and neutrality of the external Auditor.

The Company confirms the independence and objectivity of the External Auditor.

Rule V: Apply Sound Systems of Risk Management and Internal Audit:**A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management.**

Independent Risk Management function: The Company engaged an external service provider to perform the responsibilities of an independent Risk Management function, in accordance with the requirements of Book Fifteen of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended.

Establishment of the Risk Committee: During the financial year ended 31 December 2025, the Company established a Risk Committee pursuant to Board Resolution No. (3/2025) dated 10 February 2025. The Committee was formed in compliance with the provisions of Book Fifteen of the aforementioned Executive

Bylaws as part of the Company's implementation of corporate governance principles, notwithstanding the absence of independent members at that time. Independent members are expected to be appointed by the Ordinary General Assembly, scheduled for 7 May 2026.

A brief about the application of the formation requirements of the risk management committee.:**First: Composition and Structure**

- The Committee shall consist of at least three members, one of whom must be independent.
- The Chairman of the Committee must be a non-executive member, and the Chairman of the Board may not be a member of the Committee.
- In the absence of the Committee Chairman, an acting Chairman shall be selected from among the non-executive members.
- A Committee Secretary shall be appointed based on the nomination of its members.

Second: Competence and Experience

- All members are required to have sufficient knowledge of the Company's business sector.
- At least one member must possess practical experience or a qualification in accounting or financial matters, with the option to seek external expertise, subject to Board approval.

Third: Independence and Governance

- The independent member must meet the independence criteria, including not holding significant shareholdings in the Company and having no family or employment relationships with Executive Management or affiliated entities.
- The Committee's charter and rules of operation, including the mechanism for member selection and the duration of membership, shall be approved by the Board of Directors.

Summary clarifying the control and internal audit systems.**Internal Control and Oversight Systems**

The Company engaged Grant Thornton to perform the internal audit function.

The Company engaged Protiviti to undertake the risk management function.

The Company engaged BDO to prepare the Internal Control Review (ICR) report.

Accordingly, Protiviti is responsible for risk management, Grant Thornton performs internal audit activities, and BDO is responsible for preparing the report on the effectiveness of internal control systems (ICR), thereby supporting the independence and efficiency of the overall control framework.

The Compliance function operates as an internal department, carrying out its responsibilities in accordance with the systems and regulations set out in Book Fifteen of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities, as amended

A brief statement on the application of the formation requirements of the internal audit department/office/ unit.:

Grant Thornton performs the internal audit function through an independent Internal Audit Department with full technical independence. It operates under the supervision of the Audit Committee and ultimately reports to the Board of Directors, in accordance with the Executive Bylaws on corporate governance. The roles and responsibilities of the internal audit function are defined by the Board, ensuring enhanced internal control effectiveness and supporting the integrity and reliability of financial reporting.

Rule VI: Promote Code of Conduct and Ethical Standards**First : A summary of the business charter, including standards and determinants of the code of conduct and ethical standards.**

The Company's Code of Conduct is founded on an integrated institutional framework designed to embed the highest standards of professional behavior and ethical values. It serves as a mandatory reference for members of the Board of Directors, Executive Management, and all employees. The Code is based on core principles including integrity, transparency, mutual respect, and compliance with applicable laws and regulations, fostering a work environment grounded in trust and professional accountability.

The Code also sets out clear guidelines for professional conduct, including maintaining objectivity and independence in decision-making, safeguarding the confidentiality of information, and avoiding practices that could harm the Company's reputation or its stakeholders' interests. It promotes a strong culture of compliance and the prevention of fraud, corruption, and insider information misuse. In addition, the Code underscores every individual's responsibility to support a safe, fair, and non-discriminatory work environment, thereby enhancing the sustainability of institutional performance and preserving the Company's standing in the market.

Second : Summary of the policies and mechanisms for reducing conflicts of interest.

The Company adopts a stringent control framework to mitigate conflicts of interest, grounded in the principles of disclosure, transparency, and proactive oversight. Conflicts of interest are defined as any situation in which personal interests intersect with professional duties in a manner that may compromise neutrality and objectivity in decision-making.

Within this framework, the Company is committed to implementing a set of policies and mechanisms, most notably:

- Requiring members of the Board of Directors, Executive Management, and employees to disclose, in advance, any direct or indirect interest that may constitute a conflict with the Company's interests.
- Prohibiting the misuse of position or Company resources for personal gain or for the benefit of related parties.
- Subjecting all related-party transactions to review and approval in accordance with approved governance frameworks, ensuring they are conducted on an arm's-length basis.
- Implementing internal control procedures that ensure segregation of duties and reinforce independent decision-making.
- Referring potential cases to the relevant internal functions (such as the Compliance Department) to take appropriate corrective action.
- This framework underscores that managing conflicts of interest is not a procedural formality, but a fundamental pillar for safeguarding the integrity of operations and strengthening the confidence of investors and stakeholders, in alignment with best governance practices and applicable regulatory requirements.

Rule VII: Ensure Timely and High Quality Disclosure and Transparency:**Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure.**

The Company adopts an integrated disclosure framework based on the principles of accuracy, transparency, and timeliness, ensuring that information is made available to all stakeholders in a fair and timely manner. These mechanisms include a clear definition of the disclosure scope, which covers financial performance, ownership structure, governance practices, material risks, and any information that may significantly impact investors' decisions.

The Company is also committed to disclosing material information promptly as it becomes available, in accordance with regulatory requirements, thereby ensuring market fairness and preventing the improper use of insider information. Official disclosure channels include the Capital Markets Authority, Boursa Kuwait, and the Company's website. The Company further ensures that all disclosures are clear, not misleading, and provide sufficient information to enable users to accurately assess financial and operational impacts.

A brief about the application of the requirements of the Board of Directors disclosure, executive management disclosures, and the managers' disclosures.

The Company is committed to preparing and maintaining a comprehensive register of disclosures by members of the Board of Directors and Executive Management. This register includes all information related to their interests and relevant transactions, as well as any subsequent changes thereto. It is updated regularly to ensure accuracy and currency, and is made available for shareholders' review during official working hours without restriction.

The register also contains detailed information on insider transactions, disclosures of interests and ownership percentages, and data on remuneration and financial benefits. This enhances transparency and mitigates the risks of conflicts of interest or the misuse of insider information.

A brief statement on the application of the formation requirements of a unit of investors affairs.

The Company is committed to activating an institutional framework for Investor Relations to organize communication with shareholders and potential investors in an efficient and professional manner. This function serves as a strategic interface between the Company and the capital markets by ensuring the timely provision of accurate information, responding to investor inquiries, and strengthening confidence and transparency in all interactions.

The Investor Relations function also supports compliance with disclosure requirements and coordinates the dissemination of information through approved channels, ensuring consistency in corporate messaging and the integrity of information circulated in the market, in line with best governance practices.

Brief on how to develop the infrastructure for the information technology on which it shall significantly rely on in the disclosure processes

The Company increasingly relies on an advanced information technology infrastructure to enhance the efficiency and accuracy of its disclosure processes. Integrated electronic systems are used to prepare, review, and approve disclosures, ensuring seamless coordination among relevant functions, including Compliance, Legal, and Finance.

The Company also provides digital platforms for disseminating information, including its website, which enables the archiving of disclosures for extended periods and ensures easy access for investors and stakeholders. This technological framework accelerates the disclosure process, reduces the risk of human error, and supports full compliance with regulatory requirements, while maintaining the confidentiality of information until its official release.

Rule VIII: Respect the Rights of Shareholders**First : A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders**

The Company is committed to implementing an integrated governance framework that safeguards shareholders' general rights on the basis of fairness and equality, without discrimination among shareholders of the same

class. This includes enabling shareholders to exercise their fundamental rights, including voting, timely access to material information, participation in strategic decision-making, and holding the Board of Directors and Executive Management accountable.

The Company also ensures regular and transparent disclosure to enable shareholders to make informed decisions, while guaranteeing equal treatment and ensuring that no statutory rights are withheld from any category of shareholders. This approach strengthens trust and reinforces the principles of sound corporate governance.

Second : A summary of the creation of a special record at the Clearing Agency as part of the requirements for ongoing monitoring of shareholders' data.

The Company is committed to establishing and maintaining a dedicated shareholder register with the Kuwait Clearing Company that contains accurate, up-to-date shareholder information, including names, nationalities, places of residence, and the number of shares held by each shareholder. The register is updated on an ongoing basis to reflect any changes in ownership data.

The purpose of the register is to enable the Company to continuously monitor its ownership structure, ensure the accuracy of shareholder data, and provide an official reference when required. Access to the information is made available to relevant parties in accordance with applicable legal requirements and controls, while maintaining the highest standards of confidentiality and data protection.

Third : Brief on how to encourage shareholders to participate and vote in the company's general assembly meetings.

The Company adopts effective mechanisms to enhance shareholder participation in General Assembly meetings and to ensure the exercise of voting rights without impediment. Invitations to meetings are issued well in advance and include the agenda and full details. Shareholders are also provided with prior access to all relevant documents and reports.

The Company enables shareholders to attend in person or by proxy, ensuring their right to discuss, raise questions, and vote on agenda items, including the election of Board members and the approval of key decisions. In addition, the Company uses multiple communication channels, including electronic platforms, to facilitate participation and encourages minority shareholders to actively engage and contribute to decision-making, thereby reinforcing transparency and institutional accountability.

Rule IX: Recognise the Roles of Stakeholders

First : A brief about conditions and policies that ensure the protection and recognition of the rights of stakeholders.

The Company adopts an integrated institutional framework to protect and recognise stakeholders' rights, in line with applicable laws and regulations and leading governance practices. This framework is underpinned by policies and procedures designed to ensure stakeholders are treated fairly, transparently, and without discrimination. It also clearly defines the rights and obligations of all parties in contractual arrangements, including mechanisms for dispute resolution and compensation for violations of rights.

In addition, the Company is committed to safeguarding the confidentiality of information, respecting privacy, and promoting integrity and ethical conduct in all dealings. The Company also ensures compliance with regulatory requirements, provides a fair and safe working environment, and respects human rights. These policies include clear mechanisms for receiving and efficiently addressing complaints, ensuring justice and fairness for all parties, and strengthening mutual trust and the sustainability of institutional relationships.

Second : Brief on how to encourage stakeholders to keep track of the company's various activities.

The Company adopts a proactive approach to engaging stakeholders in monitoring its activities, recognising that their participation is a fundamental driver of improved institutional performance and sustainable value creation. To this end, the Company provides multiple effective communication channels that enable stakeholders to access relevant information in a timely manner, including periodic reports, the Company's website, and direct communication channels.

The Company also encourages stakeholders to submit feedback and proposals through clear mechanisms, such as complaint-handling systems and whistleblowing programs, while ensuring full protection for whistleblowers. In addition, it seeks to involve stakeholders in discussions about its activities, enabling them to express their views and thereby reinforcing transparency and fostering a participatory environment built on trust and accountability.

The Company continuously strives to enhance its engagement mechanisms through two-way communication programs and periodic reviews of their effectiveness, ensuring the highest levels of constructive interaction and meaningful stakeholder contribution in support of the Company's journey and strategic direction.

Rule X: Encourage and Enhance Performance

While the Company has begun implementing all governance requirements, it reaffirms its commitment to strengthening institutional performance through structured mechanisms for continuous training and the periodic evaluation of the performance of the Board of Directors and Executive Management, in addition to policies aimed at creating sustainable value for employees and stakeholders. The following is a summary of the adopted policies and mechanisms.

First : A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.

Training Framework	:	<i>The Company adopts an institutional framework to support the professional development of both Board members and Executive Management. This framework is underpinned by a Board-approved training policy that defines the objectives, budget, and governing standards.</i>
Annual Training Plan	:	An annual training plan is developed based on a Training Needs Analysis (TNA), taking into account business requirements and regulatory and legislative developments, particularly those related to the Capital Markets Authority.
Program Focus Areas	:	corporate governance, risk management, compliance, financial reporting, digital transformation, sustainability, and leadership and executive skills
Implementation and Documentation Mechanisms	:	Mandatory and elective training hours are defined. Internal and external workshops are organised in collaboration with approved training providers. All participation and certifications are documented in an electronic system to track attendance and assess impact.
Measuring Training Effectiveness	:	Post-training evaluation surveys are conducted, alongside periodic performance follow-ups, to assess the extent to which training enhances decision-making efficiency and improves performance indicators.

Second : Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.

Approved Evaluation Policy	: The Company applies a performance evaluation policy developed by the Nomination and Remuneration Committee and submitted to the Board of Directors for approval.
Board of Directors Evaluation (Collective)	: The Board is evaluated annually to assess its strategic oversight, decision-making quality, adherence to governance principles, and the effectiveness of follow-up and reporting. The evaluation is supported by structured questionnaires, a review of meeting minutes, and Board performance indicators.
Individual Board Member Evaluation	: Each Board member undergoes an annual assessment based on attendance, the quality and effectiveness of participation, contributions to Board committees, commitment to continuous training, and the management of conflicts of interest. Where necessary, the assessment is supplemented by peer reviews and/or independent external evaluations.
Executive Management Evaluation	: Executive Management is evaluated quarterly and annually against defined operational and strategic objectives (KPIs and SMART criteria), effectiveness in risk management, and the quality and timeliness of financial and operational reporting. A 360-degree evaluation is applied for senior leadership roles.
Evaluation Outputs	: Evaluation reports highlight strengths and areas for improvement and set out individual and collective development and training plans. Outcomes are linked to remuneration policies and succession planning.

Third : An overview of the Board of Directors' efforts in asserting the importance of corporate value creation with the employees at the company through achieving the company's strategic goals and improving key performance indicators.

Clear Strategic Direction	: The Board adopts a strategic vision and institutional values that link financial and operational performance to value creation for the community, employees, and stakeholders.
Linking Performance to Remuneration	: Performance and remuneration policies are aligned with strategic objectives and with both individual and collective performance indicators, reinforcing motivation and a sense of ownership among employees.
Empowering Work Environment	: The Company supports initiatives focused on process improvement, innovation, and development training, while facilitating communication channels between management and employees to foster a culture of accountability and transparency.
Measuring Value Creation Impact	: Key indicators include employee satisfaction, talent retention rates, employee productivity, and achievement of strategic objectives. Improvements in these indicators are linked to Board strategies and development programs.

During 2026, the Company began implementing Key Performance Indicators (KPIs) to measure the impact of training and performance evaluation, including:

- Training program attendance rates
- Participant satisfaction levels
- Improvement in reporting quality and decision-making effectiveness

Rule XI: Focus on the Importance of Corporate Social Responsibility

A summary of the development of a policy to ensure a balance between the company's goals and society's goals.

The Company adopts an integrated Corporate Social Responsibility (CSR) policy to achieve a balanced alignment between its commercial objectives and societal goals, grounded in the firm belief that institutional success is measured not solely by financial returns but also by the positive impact the Company has on the environment and the community. This policy is built on embedding sustainability and social responsibility principles within the business model, ensuring economic growth while minimising environmental impact and enhancing social value.

Through this policy, the Company seeks to build trust with stakeholders, reinforce its commitment to ethical practices, and support initiatives that contribute to social and economic development. These efforts are aligned with the Company's overall strategy and long-term objectives, thereby creating shared and sustainable value.

Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work.

The Company adopts a structured set of programs and mechanisms to clearly and effectively demonstrate its Corporate Social Responsibility (CSR) efforts. All CSR activities are centrally coordinated and managed by the Human Resources and Administrative Affairs function, in close collaboration with the Compliance function, to ensure alignment with the Company's overall strategic direction.

These mechanisms include developing awareness programs and community initiatives to promote social values and improve the quality of life, as well as establishing performance indicators that link the Company's results to its CSR achievements. The Company also prepares periodic reports and annual disclosures outlining its initiatives and accomplishments, thereby enhancing transparency and accountability.

Furthermore, the Company leverages multiple communication channels, including annual reports, press releases, events, and seminars, to highlight its CSR achievements. It also implements interactive programs with the local community to strengthen partnerships and support sustainable development, and conducts periodic evaluations to measure impact and ensure the intended objectives are achieved. Top of Form

Audit Committee Report

Audit Committee Report for the Financial Year Ended 31 December 2025

Chairman's Statement,
Dear Action Energy Company Shareholder,

I am pleased to present the Audit Committee's report for the financial year ended 31 December 2025. During the year, the Committee fulfilled its mandate to assess the adequacy and effectiveness of the Company's internal control systems and compliance with applicable regulations and policies. These activities supported the safeguarding of Company assets, strengthened the integrity of transactions, improved the accuracy of financial and administrative information, and promoted operational efficiency.

The Committee was established by Board Resolution No. (3-2025) at the Board meeting held on 10 February 2025. It operates in accordance with Book Fifteen, Corporate Governance, of the Executive Bylaws of Law No. 7 of 2010 concerning the establishment of the Capital Markets Authority and the regulation of securities activities, as amended.

The Committee's responsibilities are set out in a charter approved by the Board of Directors. In line with that charter, the Committee has actively monitored and helped to enhance the Company's internal control framework, governance and compliance practices. It has reviewed and considered reports from both the Internal Audit Department and the Risk Management Department, examined their findings, and submitted recommendations to the Board to strengthen risk management and internal controls.

The financial year 2025 was crowned by the listing of Action Energy Company on the Premier Market of Boursa Kuwait on 17 December 2025. This listing marks a significant milestone in the Company's history, initiating a transition toward a robust corporate governance and institutional control framework in line with the requirements of the Capital Markets Authority.

Accordingly, the Company is progressing to complete its governance structure in compliance with regulatory requirements, including the appointment of independent Board members. These members will be elected at the Annual General Meeting scheduled for 7 May 2026 to satisfy independence requirements and strengthen the effectiveness of the Board's committees.

The Company confirms that throughout 2026, it will continue to work intensively and systematically to meet all Capital Markets Authority compliance requirements and to finalise the necessary frameworks, policies, and control procedures. These efforts aim to ensure full alignment with governance requirements and recognised best practices.

This report reflects the work undertaken in 2025 to establish the regulatory and control foundations and reaffirms the Company's commitment to further develop and enhance its governance framework throughout 2026. It represents the foundational phase of building an integrated governance system as the Company continues to implement all regulatory requirements to achieve full compliance with the Capital Markets Authority's standards.

In conclusion, I extend my sincere thanks to the Committee members for their dedication to strengthening the internal control framework and fostering a culture of compliance. I also acknowledge the continued support of the Board of Directors and their commitment to implementing the Committee's recommendations.



Committee Chairman
Rawaf I. Bourisli, Architect

OBJECTIVES

The Audit Committee's strategic objectives are designed to strengthen the Company's governance and control framework by providing clear oversight, promoting compliance, and ensuring robust risk management and internal controls.

- Establish and uphold the highest standards of control and governance, ensuring integrity and transparency in all transactions and activities.
- Ensure full compliance with all applicable laws and regulatory requirements issued by relevant supervisory authorities.
- Oversee the implementation of Board-approved policies and procedures, and ensure their effectiveness and ongoing adherence.
- Strengthen the Company's oversight functions and promote a culture of institutional compliance at all levels of the organisation.
- Promote a work methodology grounded in accuracy and objectivity to safeguard the integrity and reliability of financial and administrative data and reports.
- Safeguard the Company's assets and protect them from risks or practices that could compromise their integrity.
- Verify the adequacy and effectiveness of internal control systems, ensuring alignment with recognised professional best practices.
- Ensure the availability of resources and systems required for effective risk management, enabling the Company to identify, measure, monitor, and mitigate risks.

These objectives support the Company's commitment to developing an integrated governance framework throughout the transitional period ending in 2026.

CURRENT AUDIT COMMITTEE MEMBERS

Name	Position	Executive	Independent
Eng. Rawaf I. Bourisli	Chairman	Non-Executive	Non-Independent
Talal Al-Qassar	Member	Non-Executive	Non-Independent
Vikas Arora	Member	Non-Executive	Non-Independent
Avinash Bindal	Member	Non-Executive	Non-Independent
Shadi Ahmad	Member	Non-Executive	Non-Independent

Note that, following the Company's listing on Boursa Kuwait on 17 December 2025, the Committee's formation in 2025 is part of the transitional implementation of governance requirements. The Company is working to meet independence criteria by appointing independent Board members at the Annual Ordinary General Assembly on 7 May 2026, thereby ensuring full compliance with Capital Markets Authority requirements.

AUDIT COMMITTEE MEETINGS DURING 2025

The Audit Committee held three meetings during the financial year ended 31 December 2025, in accordance with regulatory requirements and the Committee's approved charter. The meetings observed a disciplined schedule, met quorum requirements, and benefited from the active participation of all members.

Agendas, relevant reports and supporting documentation were distributed to members well in advance of

each meeting, allowing for thorough review and informed discussion. This preparation supported timely, wellconsidered decisions and recommendations submitted to the Board of Directors.

All meetings were formally recorded in minutes prepared by the Committee Secretary, documenting discussions and resolutions in full. The minutes were circulated to members for approval in accordance with established procedures, ensuring accurate recordkeeping and compliance with governance requirements.

COMMITTEE MEMBERS' ATTENDANCE AT MEETINGS IN 2025

Audit Committee members demonstrated a strong commitment by attending and actively participating in all scheduled meetings. Each member recorded a 100% attendance rate (3 of 3 meetings), as detailed below:

Name	Position	Meeting 02/2025 24/03/2025	Meeting 03/2025 18/09/2025	Meeting 04/2025 08/12/2025	Total Meetings 2025
Eng. Rawaf I. Bourisli	Chairman	✓	✓	✓	✓
Talal Al-Qassar	Member	✓	✓	✓	✓
Vikas Arora	Member	✓	✓	✓	✓
Avinash Bindal	Member	✓	✓	✓	✓
Shadi Ahmad	Member	✓	✓	✓	✓

All Committee members attended every meeting held in 2025.

First: Committee Achievements During 2025

1. Financial reports and data:

- The Committee played a central role in enhancing the integrity and transparency of the Company's financial reporting by undertaking the following actions:
- Reviewed periodic and annual financial statements before submission to the Board, providing opinions and recommendations to safeguard the accuracy and clarity of financial disclosures.
- Examined and discussed the external auditor's findings on the financial statements and ensured appropriate follow-up actions were taken.
- Confirmed the implementation of approved accounting policies and procedures in accordance with relevant professional standards.
- Reviewed the Company's budget and validated its alignment with strategic and operational objectives.

2. External Auditor:

The Committee exercised robust oversight of the External Auditor to strengthen independence and the quality of financial reporting by:

- Recommending the External Auditor's appointment to the Board after confirming compliance with independence and professional competence requirements, and advising on audit fees appropriate to the scope of work.
- Holding periodic meetings with the External Auditor to review interim and annual financial statements, audit results, and key observations.
- Regularly evaluating the External Auditor's performance to ensure efficiency, effectiveness, and continued independence.

3. Internal Audit:

- In 2025, the Committee oversaw the establishment of the internal audit function. In 2026, Grant Thornton Al Qatami, Al Aiban & Partners was appointed as the Internal Auditor as part of efforts to complete the Company's governance and control framework.

4. Risk Management:

- The Committee monitored the development of the risk management framework. In 2026, Protiviti was engaged to assume risk management responsibilities, strengthening the Company's capacity to identify, measure, monitor, and mitigate risks in accordance with best practices.

Second: Audit Committee Recommendations

As part of its oversight remit, the Audit Committee recommended the reappointment of key parties supporting the Company's control, audit, and risk management framework to preserve the effectiveness of governance and controls:

1. External Auditor:

The Committee recommended appointing Al-Aiban, Al-Osaimi & Partners – Ernst & Young, selected from auditors approved by the Capital Markets Authority, ensuring compliance with independence requirements and mandatory rotation, for the financial year ended 31 December 2026.

2. Internal Auditor:

The Committee recommended appointing Grant Thornton – Al-Qatami, Al-Aiban & Partners as the Company's Internal Auditor, approving the internal audit policies and procedures, and endorsing the audit plan for the year ending 31 December 2026.

3. Risk Management Unit:

The Committee recommended reappointing Protiviti to perform the Risk Management function and approving related policies and systems for risk identification, measurement, and monitoring, aligned with the Company's business profile and forthcoming phase requirements.

4. Internal Control Review (ICR):

The Committee recommended appointing BDO as the independent firm to prepare the annual report on the review and evaluation of the Company's internal control systems for the year ending 31 December 2026.

Third: Audit Committee Opinion

Following the Company's listing in 2025, which marked a foundational phase in establishing its governance framework, the Committee affirms that the Company is systematically addressing Capital Markets Authority requirements throughout 2026. This work includes finalising the governance structure and strengthening the independence of Board committees, which the Committee has taken into account when assessing the adequacy and effectiveness of internal control systems at this stage.

Based on the Committee's review and oversight activities during the 2025 financial year, the Committee concludes that:

- The Company's internal control systems provide comprehensive coverage of operational, financial, and administrative activities, supporting institutional performance, safeguarding assets, ensuring the accuracy and reliability of information, and enhancing operational efficiency.
- These systems are operating with a reasonable degree of efficiency and effectiveness given the Company's current stage of development.
- The Internal Control Review (ICR) report is expected by the end of the 2026 financial year.

During 2025, the Company also undertook several foundational actions to establish and strengthen its internal control environment, including:

- Completing the development of governance and control frameworks;
- Appointing independent audit firms;
- Clearly defining roles and responsibilities;
- Holding periodic meetings to approve financial statements and monitor regulatory compliance.

Consolidated Financial *Statements*

December 31, 2025



Shape the future
with confidence

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P.

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Action Energy Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of consolidated financial statements of public interest entities, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P. (CONTINUED)

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Capitalisation of property, plant and equipment

Key audit matter

Property, plant and equipment amounted to KD 124,952,802 as at 31 December 2025, representing 75% of the Group's total assets.

The Group incurred significant capital expenditure during the year. The level of capital expenditure required consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment met the specific recognition criteria set out in IAS 16, Property, Plant and Equipment, particularly in relation to subsequent expenditure on drilling rigs and major components, and that qualifying borrowing costs were capitalised in accordance with IAS 23, Borrowing Costs.

This included assessing whether expenditure was directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, whether the carrying amount of replaced components was appropriately derecognised, and whether borrowing costs met the criteria for capitalisation and ceased when the relevant assets were ready for their intended use.

We considered the capitalisation of property, plant and equipment to be a key audit matter given the relative size of the balance in the consolidated statement of financial position and the significant judgement applied by management in determining whether costs met the relevant capitalisation criteria.

How the key audit matter was addressed in the audit

Our audit procedures included, among others, the following:

- We evaluated the nature of property, plant and equipment capitalised by the Group and assessed whether additions met the relevant capitalisation criteria.
- We tested, on a sample basis, additions to supporting documentation, including contracts and supplier invoices.
- We considered whether capitalisation ceased when assets were capable of operating in the manner intended by management, inspected on a sample basis whether replaced components were derecognised where applicable, and, in relation to borrowing costs, evaluated management's identification of qualifying assets and recalculated borrowing costs capitalised during the year.
- We performed analytical procedures over capital expenditure to identify unusual trends that may indicate inappropriate capitalisation.
- We assessed the adequacy of related disclosures in Note 2.5.11 and Note 8 to consolidated financial statements.



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P. (CONTINUED)

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Revenue recognition

Key audit matter

Revenue amounted to KD 31,845,319 for the year ended 31 December 2025 (2024: KD 20,746,110). Revenue is primarily derived from drilling activities, rig mobilisation and other related oilfield services.

Revenue is recognised over the contract term in accordance with the underlying contractual arrangements and may include contract-related components and variable elements.

The recognition of revenue requires management judgement in assessing the appropriate timing and measurement of revenue recognised.

We considered revenue recognition to be a key audit matter due to the quantitative significance of revenue to the consolidated financial statements and the judgement involved in determining the timing and measurement of revenue recognised.

How the key audit matter was addressed in the audit

Our audit procedures included, among others, the following:

- We evaluated the recognition of the Group's main revenue streams, including drilling services, mobilisation and other related oilfield services, to assess whether the pattern of revenue recognition applied was consistent with the underlying contractual terms.
- We tested, on a sample basis, revenue transactions recorded during the year and around the reporting date by agreeing amounts recognised to supporting documentation and assessing whether revenue was recognised in the appropriate period.
- We assessed the accounting treatment of contract-related components and evaluated management's assessment of variable consideration, including claims and incentive arrangements, and considered the appropriateness of revenue recognised based on the relevant contractual terms and customer approvals.
- We assessed the adequacy of related disclosures in Note 2.5.1 and Note 4 to consolidated financial statements.



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P. (CONTINUED)

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other information included in the Group's 2025 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2025 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P. (CONTINUED)**

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

As part of an audit in accordance with ISAs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACTION ENERGY COMPANY K.S.C.P. (CONTINUED)**

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2025 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organisation of security activity and its executive regulations, as amended, during the year ended 31 December 2025 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

16 March 2026
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 KD	2024 KD
Revenue	4	31,845,319	20,746,110
Rental income		57,484	69,000
Cost of revenue	5	(18,080,638)	(12,773,219)
GROSS PROFIT		13,822,165	8,041,891
General and administrative expenses	6	(2,037,703)	(1,477,604)
Operating profit		11,784,462	6,564,287
Finance costs on loans and borrowings		(3,824,580)	(2,937,691)
Interest and amortisation charge on convertible preference shares		(2,147,692)	(1,924,322)
Amortisation of intangible asset		(41,250)	-
Interest expense on lease liabilities		(11,737)	-
Loss on revaluation of investment properties		(169,334)	-
Other income		260,694	232,637
PROFIT BEFORE TAX		5,850,563	1,934,911
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(52,456)	(17,414)
Zakat		(61,853)	(21,115)
National Labour Support tax ("NLST")		(6,011)	-
PROFIT FOR THE YEAR		5,730,243	1,896,382
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,730,243	1,896,382
Attributable to:			
Equity holders of the Parent Company		5,712,456	1,896,382
Non-controlling interests		17,787	-
		5,730,243	1,896,382
BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	14.35 Fils	5.06 Fils

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 KD	2024 KD
ASSETS			
Non-current assets			
Property, plant and equipment	8	124,952,802	114,990,190
Intangible asset		508,750	-
Investment properties		978,000	1,147,334
Right-of-use assets		166,025	-
		126,605,577	116,137,524
Current assets			
Inventories		1,165,962	809,221
Trade receivables, prepayments and other receivables	9	10,509,792	8,947,434
Amounts due from a related party	17	279,180	-
Cash and short-term deposits	10	27,750,753	10,614,259
		39,705,687	20,370,914
TOTAL ASSETS		166,311,264	136,508,438
Equity and Liabilities			
Equity	11		
Share capital		56,650,000	20,000,000
Share premium		19,830,000	-
Statutory reserve		1,623,632	1,029,872
Retained earnings		5,676,118	18,796,721
Equity attributable to the equity holders of the Parent Company		83,779,750	39,826,593
Non-controlling interests		237,787	-
Total equity		84,017,537	39,826,593
Non-current liabilities			
Bank borrowings	13	35,585,670	61,214,455
Islamic financing facilities	14	36,177,699	-
Convertible preference shares classified as financial liabilities	15	-	19,253,879
Lease liabilities		87,609	-
Contract liabilities	4.2	1,007,052	744,000
Employees' end of service benefits	12	1,069,646	717,165
		73,927,676	81,929,499
Current liabilities			
Bank borrowings	13	2,566,179	7,036,347
Islamic financing facilities	14	516,953	-
Lease liabilities		82,929	-
Trade and other payables	16	4,742,150	7,393,921
Contract liabilities	4.2	457,840	288,000
Amounts due to a related party	17	-	34,078
		8,366,051	14,752,346
Total liabilities		82,293,727	96,681,845
TOTAL EQUITY AND LIABILITIES		166,311,264	136,508,438


 Sheikh Mubarak Abdullah Al-Sabah
 Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Attributable to equity holders of the Parent Company					Total equity KD
	Share capital KD	Share premium KD	Statutory reserve KD	Retained earnings KD	Sub total KD	
As at 1 January 2025	20,000,000	-	1,029,872	18,796,721	39,826,593	39,826,593
Profit for the year	-	-	-	5,712,456	5,712,456	5,730,243
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,712,456	5,712,456	5,730,243
Acquisition of a subsidiary (Note 2.2)	-	-	-	-	-	220,000
Issue of bonus shares (Note 11)	17,500,000	-	-	(17,500,000)	-	-
Conversion of convertible preference shares (Note 15)	9,700,000	9,246,000	-	-	18,946,000	18,946,000
Issue of shares pursuant to the private placement	9,450,000	10,584,000	-	-	20,034,000	20,034,000
Transaction costs directly attributable to the issue of share capital	-	-	-	(739,299)	(739,299)	(739,299)
Transfer to statutory reserve	-	-	593,760	(593,760)	-	-
At 31 December 2025	56,650,000	19,830,000	1,623,632	5,676,118	83,779,750	84,017,537
As at 1 January 2024	20,000,000	-	840,234	17,089,977	37,930,211	37,930,211
Profit for the year	-	-	-	1,896,382	1,896,382	1,896,382
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,896,382	1,896,382	1,896,382
Transfer to statutory reserve	-	-	189,638	(189,638)	-	-
At 31 December 2024	20,000,000	-	1,029,872	18,796,721	39,826,593	39,826,593

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 KD	2024 KD
OPERATING ACTIVITIES			
Profit before tax		5,850,563	1,934,911
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment	8	4,439,190	3,496,776
Service charges – consumption of prepaid drilling rights	9	109,020	109,020
Provision for employees end of service benefits	12	367,069	209,687
Interest income		(233,925)	(200,157)
Finance costs on debt and borrowings		3,824,580	2,937,691
Interest and amortisation charge on convertible preference shares		2,147,692	1,924,322
Loss on revaluation of investment properties		169,334	-
Amortisation of intangible asset		41,250	-
Depreciation of right-of-use assets		83,016	-
Interest expense on lease liabilities		11,737	-
Operating profit before working capital changes		16,809,526	10,412,250
<i>Working capital changes:</i>			
Trade receivables, prepayments and other receivables		(3,186,651)	(1,106,377)
Inventories		(356,741)	(253,396)
Contract liabilities		432,892	(288,000)
Trade and other payables		(2,707,243)	273,494
Cash flows from operations		10,991,783	9,037,971
Employees' end of service benefits paid	12	(14,588)	(33,142)
Taxes paid		(57,811)	(101,960)
Net cash flow from operating activities		10,919,384	8,902,869
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(14,401,802)	(25,402,034)
Net movement in term deposits with original maturity over three months		(2,700,000)	(4,450,000)
Interest income received		207,066	60,524
Acquisition of a subsidiary, net of cash acquired		(330,000)	-
Movement in escrow accounts		(877,639)	(362,106)
Net cash flows used in investing activities		(18,102,375)	(30,153,616)
FINANCING ACTIVITIES			
Net movement in related party balances		(313,258)	(51,520)
Proceeds from bank borrowings	13	12,553,000	20,447,000
Repayment of bank borrowings	13	(42,651,953)	(6,760,893)
Proceeds from Islamic financing facilities	14	36,694,652	-
Finance costs paid		(4,745,056)	(3,814,286)
Proceeds from issue of ordinary shares		20,034,000	-
Transaction costs for issued share capital		(739,299)	-
Payment of lease liabilities		(90,240)	-
Proceeds from issue of convertible preference shares	15	-	17,038,975
Net cash flows from financing activities		20,741,846	26,859,276

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

		2025	2024
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,558,855	5,608,529
Cash and cash equivalents at 1 January		5,719,490	110,961
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	19,278,345	5,719,490

		2025	2024
	Notes	KD	KD
Non-cash transactions excluded from the statement of cash flows:			
Additions to right-of-use assets		(249,041)	-
Additions to lease liabilities		249,041	-
Issue of bonus shares	11	17,500,000	-
Conversion of convertible preference shares in equity (net of unamortised portion of financial liability)		18,616,000	-

1. CORPORATE INFORMATION

The consolidated financial statements of Action Energy Company K.S.C.P. (the "Parent Company") and its Subsidiaries (together the "Group") for the year ended 31 December 2025 was authorised for issue in accordance with a resolution of the board of directors on 16 March 2026. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 1 May 2025 approved the consolidated financial statements for the year ended 31 December 2024. No dividends have been declared by the Parent Company for the year then ended.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait. The head office of the Parent Company is located in Plot No. 002818, Block 5, Al Jahra area, State of Kuwait and its registered postal address is Waves business center, Building no. 4, Kuwait Free Trade Zone, P.O. Box 3866, Safat 13039, Kuwait.

The Group operates in the oilfield services sector. The Parent Company is principally engaged in oil well drilling, services related to the extraction of oil and natural gas, and maintenance of oil and petrochemical facilities.

During the year ended 31 December 2025, the Parent Company completed an initial public offering through a private placement to qualified investors. The Parent Company's shares were listed in the Premier Market of Bursa Kuwait on 17 December 2025. The Parent Company is in the process of changing the legal form from Kuwait Share Holding Company (Closed) (K.S.C.C) to Kuwait Shareholding Company (Public) (K.S.C.P) and the legal formalities are still in progress as at the authorization date of these consolidated financial statements.

The Parent Company is a subsidiary of Action Real Estate Company K.S.C. (Closed) (the "Holding Company"), which is ultimately controlled by Action Group Holdings Company K.S.C. (Closed) (the "Ultimate Holding Company").

2.1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Group have been presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, that have been measured at fair value.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Certain comparative figures have been reclassified, both within line-items and between line-items, to conform with current year's presentation in order to enhance comparability. These reclassifications had no impact on previously reported profit or equity.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2025. 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- 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 of 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 OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries

The consolidated financial statements of the Group include:

Name of the entity	Country of incorporation	% equity interest		Principal activities
		2025	2024	
National Construction Real Estate Company Faisal Al Qadri and Partner W.L.L.	Kuwait	100%	100%	Facilities management and real estate trading.
Sun Drilling Kuwait Oil Wells Drilling Co. W.L.L. *	Kuwait	100%		Oil well drilling.
Target NDT Company W.L.L. **	Kuwait	60%		Inspection and maintenance services for oilfield sector.

* The Parent Company incorporated Sun Drilling Kuwait Oil Wells Drilling Company W.L.L during 2024. The Parent Company holds 100% through direct and through shares registered in the name of nominees on its behalf. The subsidiary had not commenced commercial operations as at the reporting date.

** On 2 April 2025, the Group acquired 60% of the equity interests in Target NDT Company W.L.L. (the 'acquiree') through nominees who confirmed in writing that Group is the beneficial owner. The acquiree had no assets, liabilities, workforce, or operational processes at the acquisition date. Its sole attribute was a pre-qualification status with Kuwait Oil Company (KOC), which enables participation in KOC tenders. The transaction does not meet the definition of a business under IFRS 3 *Business Combinations*, and accordingly, has been accounted for as an asset acquisition in accordance with IAS 38 *Intangible Assets*. The consideration paid has been recognised as the cost of an intangible asset representing the KOC pre-qualification status. No goodwill has been recognised and no assets or liabilities, other than this intangible asset, have been acquired. As a result, the Group recognised an intangible asset of KD 550,000 and a non-controlling interest of KD 220,000.

2.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**New and amended standards and interpretations**

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, *Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates* specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments did not have a material impact on the Group's consolidated financial statements.

2.4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

There are amendments to several other standards. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2025, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the consolidated financial statements. The initial expected material impacts on Group's financial statements are, as follows:

- Rental income will be classified in the investing category within the statement of profit or loss.
- Foreign exchange difference will be classified in the category where the related income and expense form the item giving rise to the foreign exchange difference.
- New disclosure will be added: (a) management-defined performance measures; (b) specified expense by nature if expenses are presented by function in the operating category of the statement of profit or loss; and (c) a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.
- Interest received and interest paid will be classified in the investing activities and financing activities, respectively, on the statement of cash flows.

2.4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**IFRS 19 Subsidiaries without Public Accountability: Disclosures**

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION**2.5.1. Revenue recognition**

The Group is in the business of providing drilling and related oilfield services.

Revenue from contracts with customers is recognised when control of the promised services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it acts as principal in its revenue arrangements.

The Group identifies the performance obligations in each contract and recognises revenue when (or as) those performance obligations are satisfied.

i. Drilling services

Contracts for drilling services typically comprise integrated rig operations, including provision of drilling rigs, crew and related support services.

These contracts are generally accounted for as a single performance obligation satisfied over time, as the customer simultaneously receives and consumes the benefits of the Group's performance.

Revenue is recognised over time using the output method based on contractual day-rates. The Group applies the "right to invoice" practical expedient where the amount invoiced corresponds directly with the value delivered to the customer.

ii. Rig move, mobilisation and demobilization services

Rig move, mobilisation and demobilisation services represent activities performed to move and prepare rigs for drilling operations.

Where such services are not distinct from the drilling services, the related consideration is recognised over the contract term consistent with the drilling performance obligation.

Where rig move, mobilisation or demobilisation services are separately identifiable under the contract, revenue is recognised at the point in time when the relevant service has been completed in accordance with the contractual terms.

iii. Other oilfield services

The Group also provides ancillary oilfield services including artificial lift, slickline and wireline services, inspection and tubular services, directional drilling, well testing, operations and maintenance and related technical services.

Revenue from these services is recognised:

- Over time, where the customer simultaneously receives and consumes the benefits of the Group's performance, generally based on time-based or output-based measures; or
- At a point in time, where the service represents a discrete deliverable completed in accordance with contractual terms.

These contracts are typically billed based on agreed day-rates, job-rates or unit-rates.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.1. Revenue recognition (Continued)****Variable consideration**

Certain contracts may include performance adjustments or contractual credits. Variable consideration is estimated at contract inception and constrained to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved.

Contract balances

A contract asset is recognised when the Group has performed services but the right to consideration is conditional on something other than the passage of time. Upon the right to consideration becoming unconditional, the related balance is reclassified to trade receivables. Contract assets are subject to impairment assessment in accordance with the Group's accounting policy for financial instruments.

A contract liability is recognised when consideration is received, or payment is due (whichever is earlier), before the Group transfers the related services to the customer. Contract liabilities are recognised as revenue when the Group satisfies the related performance obligations.

2.5.2. Borrowing costs

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

2.5.3. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.5.4. Taxes*Kuwait Foundation for the Advancement of Sciences (KFAS)*

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions

No. 24 of 2006 at 2.5% of taxable profit for the year.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.5. Foreign currencies**

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

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

Group companies

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

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

2.5.6. Dividends**Cash dividends**

A liability for cash dividends is recognised once the distribution has been approved by the shareholders at the annual general assembly meeting ("AGM") and is no longer at the discretion of the Parent Company.

Interim dividends are recognised when approved by the Board of Directors in accordance with the Company's Articles of Association and applicable regulations.

Dividends declared after the reporting date are not recognised as a liability at the reporting date and are disclosed as events after the reporting period.

Bonus issue of shares

A bonus issue of shares is recognised in equity once it has been approved by the shareholders and the related capital increase has been completed and registered, including obtaining all required regulatory approvals.

The bonus issue is accounted for as a reclassification within equity, typically from retained earnings (or other distributable reserves).

Earnings per share for all periods presented are adjusted retrospectively in accordance with IAS 33 Earnings per Share.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.5.7. Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.5.8. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. Treasury shares do not carry voting rights and are not entitled to dividends while held by the Group.

No gain or loss is recognised in profit or loss on the purchase, sale, reissue or cancellation of the Group's own shares. Any difference between the carrying amount of treasury shares and the consideration received on reissue is recognised directly in equity.

In accordance with the Capital Markets Authority (CMA) guidelines, a reserve equal to the cost of treasury shares is maintained within equity and is not available for distribution. Treasury shares are acquired and held in accordance with CMA requirements and within the limits prescribed under applicable laws and regulations.

2.5.9. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.5.10. Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5.11. Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. For drilling rigs and related oilfield equipment, cost may include major overhauls and upgrades where the recognition criteria of IAS 16 are met.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. When significant parts of drilling rigs are replaced or major overhauls are performed, the costs are recognised in the carrying amount of the asset and the carrying amount of the replaced parts, if any, is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.5.11. Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Drilling rigs	30 years
Computers and office equipment	3 years
Furniture and fixtures	3-7 years
Motor vehicles	5-7 years
Camps	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5.12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The Group's intangible assets primarily comprise KOC pre-qualification status recognised on acquisition. Management has assessed the asset to have a finite useful life of ten years, representing the period over which the pre-qualification status is expected to generate economic benefits. The asset is amortised on a straight-line basis over this period.

2.5.13. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Fair values are determined based on annual valuations performed by accredited external independent valuers, applying valuation techniques consistent with IFRS 13 *Fair Value Measurement*. In accordance with applicable CMA guidelines, the Group obtains a minimum of two independent valuations, one of which is from a local bank, and recognises the lower of the two valuations in the consolidated financial statements.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.13. Investment properties (Continued)**

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.5.14. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.14. Leases (Continued)****Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5.15. Inventories

Inventories primarily comprise spare parts and consumables used in the provision of drilling and related oilfield services. Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method.

At each reporting date, inventories are reviewed for obsolescence, slow-moving items and excess quantities arising from rig inactivity or changes in technology. Where necessary, inventories are written down to their net realisable value. Write-downs are recognised in profit or loss. Reversals of previous write-downs are recognised in profit or loss to the extent of the original write-down.

2.5.16. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an 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. When 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.5.17. Cash and cash equivalents

Cash and short term deposits in the consolidated statement of financial position comprise cash on hand, cash at banks, and short-term highly liquid deposits with a maturity of twelve months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with maturity of three month or less, net of term deposits with maturity of greater than three months and balances held in escrow account as they are considered an integral part of the Group's cash management.

2.5.18. Financial instruments - initial recognition and subsequent measurement

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

*i) Financial assets***Initial recognition and measurement**

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

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.18. Financial instruments - initial recognition and subsequent measurement (Continued)**

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

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

The Group has not designated any financial assets at fair value and financial assets at amortised cost is more relevant to the Company.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Group's financial assets (cash and short-term deposits and trade and other receivables) meet these conditions, they are subsequently measured at amortised cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.18. Financial instruments - initial recognition and subsequent measurement (Continued)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities**Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Refer to 2.5.14 'Leases' accounting policy for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (including loans and borrowings).

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.18. Financial instruments - initial recognition and subsequent measurement (Continued)****Interest-bearing loans**

Interest-bearing loans and borrowings are measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The resulting interest expense is recognised within finance costs.

Islamic finance payables

Islamic finance payables represent Sharia-compliant financing arrangements entered into for the purchase of commodities on a deferred payment basis. These liabilities are recognised initially at the fair value of the consideration received and are subsequently measured at amortised cost using the EIR method.

The difference between the cash price and the deferred settlement amount is recognised as finance cost over the term of the arrangement using the EIR method.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.5.19. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.5.20. Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.21. Employees end of service benefits**

The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligation is limited to these contributions, which are expensed when due.

2.5.22. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level : 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level of the fair value hierarchy as explained above.

2.5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5.23. Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1. Significant judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Capitalisation of drilling rig expenditure

Judgement is required in determining whether costs incurred on drilling rigs and related oilfield equipment are capitalised as property, plant and equipment or recognised as an expense in profit or loss.

In particular, management assesses whether expenditures relating to major overhauls, life-extension works, upgrades and replacement of significant components enhance the future economic benefits of the rigs beyond their originally assessed performance or extend their useful lives. This assessment requires evaluation of the nature and scope of the work performed, the expected impact on operational capability and remaining useful life, and whether any replaced components should be derecognised in accordance with the Group's accounting policies

Revenue recognition under drilling and service contracts

Judgement is exercised in determining the nature of performance obligations and the appropriate timing of revenue recognition under drilling and related oilfield service contracts.

In particular, management assesses whether drilling, workover, standby and related activities constitute a single integrated performance obligation satisfied over time, or whether any components are distinct and satisfied at a point in time. Management also evaluates whether mobilisation and related activities form part of the overall performance obligation or represent separate deliverables. This assessment requires consideration of the contractual terms, enforceable rights and obligations, and whether the customer simultaneously receives and consumes the benefits of the services as they are performed.

3.2. Estimations and assumptions

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade and other receivables

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**3.2. Estimations and assumptions (Continued)**

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Estimation of useful lives of drilling rigs and KOC pre-qualification status

The Group determines the estimated useful lives and related depreciation and amortisation charges for its drilling rigs and KOC pre-qualification status intangible asset.

For drilling rigs, useful lives are assessed based on the expected economic life of the rigs, taking into account technical specifications, anticipated utilisation levels, maintenance and overhaul programmes, operating conditions and prevailing industry practices.

For the KOC pre-qualification status intangible asset, management has assessed a finite useful life representing the period over which the asset is expected to generate economic benefits through participation in tender pipelines and contract awards. In determining this period, management considers the expected duration of tender eligibility, historical renewal experience and continued compliance with qualification requirements.

Changes in expected utilisation levels, contract outlook, renewal expectations, technical factors or regulatory conditions could result in a revision to the estimated useful lives and the corresponding depreciation or amortisation expense on a prospective basis.

Determination of variable consideration

Judgement is exercised in estimating variable consideration arising from drilling and related service contracts, including performance incentives, service credits, non-productive time deductions, liquidated damages, variation orders and customer claims.

Variable consideration is estimated with reference to the contractual terms, historical experience on similar contracts, current operational performance and ongoing customer correspondence. Amounts are included in revenue only to the extent that it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

In applying this constraint, the Group considers factors such as contractual acceptance procedures, unresolved claims, performance metrics, enforceability of rights and the stage of completion of the related services

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

4. REVENUE

4.1. Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue:

	2025 KD	2024 KD
Type of services:		
Drilling services	24,069,797	13,730,475
Rigs leasing and mobilisation	6,170,705	5,614,073
Other operating revenue*	1,604,817	1,401,562
Total revenue from contracts with customers	31,845,319	20,746,110
Geographical market:		
State of Kuwait	31,845,319	20,746,110
Timing of revenue recognition:		
Services transferred over time	31,845,319	20,746,110

* Other operating revenue mainly represents ancillary services provided to customers in connection with drilling operations (such as inspection services, catering services, incentive income, and construction of heavy oil wells cellar). These amounts are not significant in relation to the Group's core drilling and rig leasing activities.

4.2. Contract balances

	2025 KD	2024 KD
Trade receivables (Note 9)	1,090,478	1,584,572
Contract assets (Note 9)	5,030,066	3,254,979
Contract liabilities	1,464,892	1,032,000

Trade receivables represent unconditional rights to consideration for services rendered under drilling and related service contracts and are typically due within 60 days.

Contract assets arise where revenue recognised exceeds amounts billed, primarily due to timing differences between performance of drilling and related services and contractual billing milestones.

Contract liabilities mainly comprise advance payments received from customers, including mobilisation advances and other upfront payments, which are recognised as revenue over the contract term as the related services are provided.

Movements in contract assets and contract liabilities during the year are driven by the commencement and mobilisation of rigs under new or renewed contracts, billing schedules agreed with customers, and the timing of service delivery relative to invoicing.

Revenue of KD 288,000 (2024: KD 288,000) recognised during the year was included in the contract liabilities balance at the beginning of the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

4. REVENUE (CONTINUED)

4.2. Contract balances (Continued)

Contract liabilities

	2025 KD	2024 KD
Non-current	1,007,052	744,000
Current	457,840	288,000
	1,464,892	1,032,000

Set out below is the movement in contract liabilities

	2025 KD	2024 KD
Opening balance	1,032,000	1,320,000
Advances received during the year	849,202	-
Performance obligations satisfied during the year	(416,310)	(288,000)
Closing balance	1,464,892	1,032,000

5. COST OF REVENUE

	2025 KD	2024 KD
Depreciation of rigs and related equipment (Note 8)	4,430,218	3,488,548
Direct staff costs (field personnel)	7,055,861	4,483,162
Fuel cost	1,500,031	845,617
Consumables and spare parts recognised as expense	551,944	446,776
Catering costs	1,331,895	722,500
Rig mobilisation costs	1,212,093	642,846
Site preparation expenses	311,560	570,078
Drilling expenses	293,261	281,695
Repairs and routine maintenance	103,677	87,987
Other direct operating costs	1,290,098	1,204,010
	18,080,638	12,773,219

During the year ended 31 December 2025, staff cost (field personnel) of KD 558,236 (2024: KD Nil) were capitalised within capital work in progress (Note 8).

For the year ended 31 December 2025

4. REVENUE (CONTINUED)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
	KD	KD
Staff costs (administrative and support)	1,065,075	530,227
Expense relating to short-term leases	83,307	188,513
Service charges – consumption of prepaid drilling rights (Note 9)	109,020	109,020
Professional fees	36,092	55,439
IT expenses	128,044	94,415
Bank charges	175,189	184,295
Vehicle expenses	81,150	54,243
Depreciation of office equipment, furniture and motor vehicles (Note 8)	8,972	8,228
Depreciation of right-of-use assets	83,016	-
Other general and administrative expenses	267,838	253,224
	2,037,703	1,477,604

During the year ended 31 December 2025, administrative costs KD 275,536 (2024: KD 734,762) were capitalised within capital work in progress (Note 8).

7. BASIC AND DILUTED EPS

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by adjusting the profit attributable to ordinary equity holders of the Parent Company and the weighted average number of shares for the effects of dilutive potential ordinary shares, if any,

	2025	2024*
Profit for the year attributable to ordinary equity holders of the Parent Company (KD)	5,712,456	1,896,382
Weighted average number of ordinary shares outstanding during the period	398,017,808	375,000,000
Basic and diluted EPS (Fils)	14.35	5.06

*The weighted average number of ordinary shares for the comparative period has been adjusted retrospectively to reflect the bonus issue during the year, in accordance with IAS 33. 'Earnings per share' for the prior year have been restated accordingly.

On 15 February 2024, the Parent Company issued convertible preference shares which were convertible into ordinary shares. During the year ended 31 December 2025, these preference shares were converted into ordinary shares in accordance with their terms (Note 15). Accordingly, they were included in the calculation of diluted earnings per share up to the date of conversion. For the current and prior year, the preference shares were anti-dilutive and were therefore excluded from diluted earnings per share.

There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorisation date of these consolidated financial statement.

Action Energy Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

8. PROPERTY, PLANT AND EQUIPMENT

Cost:	Drilling rigs		Computers and office equipment		Furniture and fixtures		Motor vehicles		Camps		Capital work-in-progress		Total	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2024	99,163,472	65,599	31,857	199,741	88,808	6,422,667	105,972,144							
Additions	379,675	1,599	3,610	-	-	25,017,150	25,402,034							
Transfers	7,159,773	-	-	-	-	(7,159,773)	-							
At 31 December 2024	106,702,920	67,198	35,467	199,741	88,808	24,280,044	131,374,178							
Additions	5,902	1,350	-	-	-	14,394,550	14,401,802							
Transfers	37,788,057	-	-	-	-	(37,788,057)	-							
At 31 December 2025	144,496,879	68,548	35,467	199,741	88,808	886,537	145,775,980							
Accumulated depreciation:														
At 1 January 2024	12,526,579	60,643	11,441	199,741	88,808	-	12,887,212							
Depreciation charge for the year	3,488,548	2,093	6,135	-	-	-	3,496,776							
At 31 December 2024	16,015,127	62,736	17,576	199,741	88,808	-	16,383,988							
Depreciation charge for the year	4,430,218	3,736	5,236	-	-	-	4,439,190							
At 31 December 2025	20,445,345	66,472	22,812	199,741	88,808	-	20,823,178							
Net book value:														
At 31 December 2024	90,687,793	4,462	17,891	-	-	24,280,044	114,990,190							
At 31 December 2025	124,051,534	2,076	12,655	-	-	886,537	124,952,802							

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Capitalised costs**

During the year ended 31 December 2025, the following costs were capitalised within capital work in progress:

- Borrowing costs of KD 676,053 (2024: KD 357,061). The capitalisation rate applied was the commercial borrowing rate applicable to the qualifying assets.
- Staff costs relating to field personnel directly attributable to construction activities of KD 558,236 (2024: KD Nil).
- Administrative costs directly attributable to construction activities of KD 275,536 (2024: KD 734,762).

Assets pledged as security

Certain drilling rigs are pledged as a security for the Group's borrowings (Notes 13 and 14).

Depreciation charge

Depreciation recognised in profit or loss is allocated as follows:

	2025 KD	2024 KD
Cost of revenue (Note 5)	4,430,218	3,488,548
General and administrative expenses (Note 6)	8,972	8,228
	4,439,190	3,496,776

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2025 KD	2024 KD
Trade receivables	1,090,478	1,584,572
Contract assets	5,030,066	3,254,979
Total trade receivables and contract assets	6,120,544	4,839,551
Retention receivables	2,764,106	1,635,829
Prepayments ¹	210,896	584,775
Advances to suppliers ²	925,123	189,323
Unamortised portion of financial liability ³	-	1,241,008
Accrued interest on term deposits	166,492	139,633
Other receivables	322,631	317,315
	10,509,792	8,947,434

¹ Prepayments primarily relate to the Parent Company's service charge arrangement. In 2015, the Parent Company paid KD 1,388,080 (USD 4,576,158) to a third party for beneficial rights over drilling operations for a period of five years. In December 2018, the arrangement was extended for a further five years ending 31 March 2026.

During the current year, service charges of KD 109,020 (2024: KD 109,020) were recognised in profit or loss on consumption of the related benefits.

² Advances to suppliers include a related party balance amounting to KD 78,336 (2024: KD 75,213) (Note 17).

³ This balance represented the unamortised portion of the premium recognised on initial recognition of the Parent Company's convertible preference shares, which was being unwound to finance costs over the contractual term of the instrument using effective interest rate (EIR) method in accordance with IFRS 9.

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)**Trade receivables and contracts assets**

Trade receivables are unsecured and non-interest bearing and are generally due within 60 days. These primarily relate to oil sector government and corporate customers with no history of defaults.

Contract assets represent unbilled revenue at the reporting date and are subject to contractual billing milestones. Once invoiced, they are reclassified to trade receivables.

The Group applies the IFRS 9 simplified approach to measure lifetime expected credit losses (ECL) on trade receivables and contract assets. Based on management's assessment, the Group's exposure relates to counterparties with a low risk of default and a strong capacity to meet contractual obligations. Accordingly, the impact of recognising expected credit losses at the reporting date was assessed to be immaterial.

Set out below is the ageing analysis of trade receivables at the reporting date:

Ageing category	2025 KD	2024 KD
Upto 30 days	121,644	1,560,131
31-60 days	666,394	6,000
61-90 days	4,931	6,000
91-180 days	282,560	6,000
More than 180 days	14,949	6,441
Total trade receivables	1,090,478	1,584,572

Credit risk exposure by customer category

The Group's exposure to credit risk by customer category in respect of trade receivables and contract assets is as follow:

Customer category	2025 KD	2024 KD
Government	4,479,544	3,672,059
Corporate	1,641,000	1,167,492
	6,120,544	4,839,551

10. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprise the following 31 December:

	2025 KD	2024 KD
Cash at bank and in hand	18,100,753	3,364,259
Term deposits	9,650,000	7,250,000
Cash and short-term deposits	27,750,753	10,614,259
Less: Term deposits having original maturity of more than three months	(7,150,000)	(4,450,000)
Less: balances held in escrow accounts	(1,322,408)	(444,769)
Cash and cash equivalents	19,278,345	5,719,490

10. CASH AND CASH EQUIVALENTS (CONTINUED)

The Group maintains escrow accounts in relation to its borrowing arrangements. The funds held in these accounts are restricted and may only be utilised for future payments related to borrowings. As at 31 December 2025, the balance held in escrow amounted to KD 1,322,408 (31 December 2024: KD 444,769).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from three months to twelve months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing market rates.

11. EQUITY**11.1. Share capital**

	Number of shares		Amount in KD	
	2025	2024	2025	2024
Authorised share capital (100 fils each)	1,000,000,000	550,000,000	100,000,000	55,000,000
Issued and paid-up share capital (100 fils each)	566,500,000	200,000,000	56,650,000	20,000,000

During the year, the issued and paid-up share capital increased as follows:

- An increase from KD 20,000,000 to KD 37,500,000 through the issuance of 175,000,000 bonus shares of 100 fils each (aggregating to KD 17,500,000).
- A further increase resulting from shares issued pursuant to a private placement and the conversion of convertible preference shares, bringing the issued and paid-up share capital to KD 56,650,000 at 31 December 2025.

In addition, at the extraordinary general assembly meeting (EGM) held on 5 October 2025, shareholders approved an increase in the authorised share capital from KD 55,000,000 to KD 100,000,000. No additional shares were issued pursuant to this approval during the year.

11.2. Share premium

Share premium represents the excess of consideration received over the nominal value of shares issued by the Company.

Share premium forms part of shareholders' equity and is not available for distribution, except as permitted by law, and may only be utilised for purposes permitted by law and subject to the required shareholder and regulatory approvals.

11.3. Statutory reserve

In accordance with the Companies Law No. 1 of 2016, as amended and its executive regulations, as amended, and the Group's Memorandum of Incorporation, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, Zakat, and NLST. Such transfer may be discontinued upon approval by the shareholders if the reserve reaches 50% of the capital. This reserve is not available for distribution except in cases stipulated by the law.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued capital. During the year, the Company transferred KD 593,760 (2024: KD 189,638) to statutory reserve.

11.4. Distributions made and proposed

	2025 KD	2024 KD
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2024: Nil (2023: Nil)	-	-
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2025: 3 fils per share (2024: Nil)	1,699,500	-

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

12. EMPLOYEES' END OF SERVICE BENEFITS

	2025 KD	2024 KD
As at 1 January	717,165	540,620
Charge during the year	367,069	209,687
Paid during the year	(14,588)	(33,142)
As at 31 December	1,069,646	717,165

13. BANK BORROWINGS

	2025 KD	2024 KD
Non-current	35,585,670	61,214,455
Current	2,566,179	7,036,347
Total interest-bearing loans and borrowings	38,151,849	68,250,802

Bank borrowings represent commercial facilities denominated in Kuwaiti Dinars obtained from a local financial institution. The facilities bear interest at floating rates linked to prevailing market benchmark rates.

The borrowings are secured by:

- A registered mortgage over the Group's drilling rigs (Note 8); and
- a joint guarantee of the Holding Company and the Ultimate Holding Company;

The Group has complied with all financial covenants attached to these facilities, and there were no breaches of covenants as at 31 December 2025 (2024: Nil).

Changes in liabilities arising from financing activities

	1 January KD	Net cash flows KD	31 December KD
2025			
Bank borrowings	68,250,802	(30,098,953)	38,151,849
2024			
Bank borrowings	54,564,695	13,686,107	68,250,802

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14. ISLAMIC FINANCING FACILITIES

	<i>Tawarruq facilities</i>	
	2025	2024
	<i>KD</i>	<i>KD</i>
Gross amount	44,965,365	-
Less: deferred finance costs payable	(8,270,713)	-
	36,694,652	-
Classified in the consolidated statement of financial position as follows:		
Current	516,953	-
Non-current	36,177,699	-

Islamic finance represents credit facilities granted by a local financial institution and carrying an annual profit at commercial rate. Islamic finance is secured by mortgage over the Group's drilling rigs (Note 8), corporate guarantee of the Holding Company and Ultimate Holding Company.

15. CONVERTIBLE PREFERENCE SHARES CLASSIFIED AS FINANCIAL LIABILITIES

	2025	2024
	<i>KD</i>	<i>KD</i>
Convertible preference shares	-	19,253,879

Set out below is the movement in convertible preference shares classified as financial liabilities:

	2025	2024
	<i>KD</i>	<i>KD</i>
Opening balance	19,253,879	-
Proceeds from issuance of convertible preference shares	-	17,038,975
Day-1 fair value adjustment on initial recognition	-	2,113,805
Interest expense recognized using EIR method	1,021,177	1,008,918
Interest payment during the year	(998,783)	(907,819)
Transfer of unamortised portion of financial liability remaining prior to conversion	(330,273)	-
Conversion into ordinary equity shares*	(18,946,000)	-
Closing balance	-	19,253,879

*On 21 October 2025, following the approval of the holders of the convertible preference shares, the Board of Directors approved the conversion of convertible preferences shares into 97,000,000 ordinary shares of 100 fils each. The conversion of convertible preferences shares was subsequently approved by the Capital Markets Authority (CMA) on 29 October 2025.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

15. CONVERTIBLE PREFERENCE SHARES CLASSIFIED AS FINANCIAL LIABILITIES (CONTINUED)

Terms of the preference shares

- During the year ended 31 December 2024, the Company issued 170,389,750 preference shares with a nominal value of 100 fils each, raising total proceeds of KD 17,038,975.
- The convertible preference shares carry a contractual return of 6% payable semi-annually. The coupon is settled partly in cash and partly in-kind through the issue of additional convertible preference shares of the same series
- When settled in-kind (PIK), the coupon is calculated on the then-cumulative outstanding amount, resulting in a compounding effect.
- PIK settlements are non-cash in nature and are reflected in EIR schedule as changes in carrying amount.
- The Day-1 fair value adjustment represents the difference between the proceeds received and the present value of contractual cash flows discounted at a market rate of 6%.
- The instrument is classified as a financial liability in accordance with IAS 32 and is subsequently measured at amortised cost, with the discount unwound to finance costs using the EIR method in accordance with IFRS 9.

Conversion features

Preference shares are mandatorily converted into ordinary share upon the occurrence of either of the following events:

1. Listing trigger

In case of listing, the aggregate number of preference shares will convert on the basis of the offering price per share to investors for the purpose of the listing, such that current preference share will hold, following such conversion, such number of ordinary shares in the Company as is equal to

a. The cumulative amount; divided by

The offering price less 10%; or

2. FS trigger

The aggregate number of preference shares held by the preference shareholder will convert to ordinary shares calculated as net earnings of the Company derived from audited financial statement for the year ended 2025 multiplied by 10x. Irrespective of the actual net earnings amount, the conversion valuation be capped at maximum of USD 275 million and minimum of USD 150 million.

The shareholders of the Parent Company in their extraordinary general assembly meeting (EGM) held on 5 October 2025, approved an amendment to the rights of convertible preference shares. The amendment provides for the conversion of 75% of convertible preference shares based on listing trigger basis, and 25% based on the FS trigger basis after obtaining the approval of the relevant regulatory authorities and the convertible preference shareholder. The convertible preference shareholder agreed to the amendment.

16. TRADE AND OTHER PAYABLES

	2025	2024
	<i>KD</i>	<i>KD</i>
Trade payables	2,321,935	4,623,552
Accrued expenses	1,361,185	1,817,006
Accrued finance cost	712,720	719,757
Zakat payable	61,853	21,115
KFAS payable	52,456	17,414
NLST payable	6,011	-
Other payables	225,990	195,077
	4,742,150	7,393,921

16. TRADE AND OTHER PAYABLES (CONTINUED)

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled by the Group on 90-day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year

For explanations on the Group's liquidity risk management processes, refer to Note 19.2

17. RELATED PARTY DISCLOSURES

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year and outstanding balances at the end of the reporting period:

<i>Consolidated statement of profit or loss and other comprehensive income</i>	2025	2024
	<i>KD</i>	<i>KD</i>
<i>Entities under common control</i>		
Cost of revenue	259,253	149,583
Payment for lease charges	90,240	118,073
<i>Consolidated statement of financial position</i>		
	2025	2024
	<i>KD</i>	<i>KD</i>
<i>Entities under common control</i>		
Advances to suppliers (Note 9)	78,336	75,213
Holding Company		
Amounts due to a related party	-	34,078
Amounts due from a related party	279,180	-

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2025, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2024: Nil).

Other related party disclosures

- Certain related parties have also provided guarantees and pledged assets in connection with the Group's borrowings (Notes 13 and 14).
- As at the reporting date, the Group held bank accounts with nil balances (2024: KD 37,736) registered in the name of entities owned and controlled by the Holding Company. In 2025, the beneficial ownership of these accounts have been transferred back to the related party.

17. RELATED PARTY DISCLOSURES (CONTINUED)**Compensation of key management personnel**

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	<i>Transaction values for the year ended 31 December</i>		<i>Balance outstanding as at 31 December</i>	
	2025	2024	2025	2024
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salary and short-term benefits	437,802	283,395	60,446	29,864
Post-employment benefits	24,435	9,615	122,588	87,592
	462,237	293,010	183,034	117,456

The Board of Directors of the Parent Company proposed a directors' remuneration of KD Nil for the year ended 31 December 2025 (2024: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

18. SEGMENT INFORMATION

The Group's operations comprise a single integrated business segment encompassing drilling services, rig leasing, and mobilisation activities, all which are inter-related and managed together as a single line of business. The Group operates predominantly within a single geographical area, the State of Kuwait. Accordingly, no further segmental information is presented.

As at 31 December 2025, all non-current assets of the Group were located in the State of Kuwait. Revenue from two customers accounted for approximately 99% of the Group's total revenue during the year ended 31 December 2025 (2024: 99%).

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk is monitored through the Group's strategic planning process. No changes were made in the risk management objectives and policies during the year ended 31 December 2025 and 2024.

The Group is mainly exposed to credit risk, liquidity risk and exposure to market risk is limited to foreign currency risk, interest rate risk and equity risk.

Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

19.1. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables).

Collateral and other credit enhancements

The Group does not hold any collateral or other credit enhancements against any of the financial assets at 31 December 2025 and 2024.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

19.1. Credit risk (Continued)

Concentration of maximum exposure to credit risk

Credit risk concentration arises where counterparties are engaged in similar activities or operate within the same economic environment.

The Group's exposure to credit risk is primarily attributable to trade receivables and contract assets arising from drilling contracts with oil sector government and corporate customers. As at 31 December 2025, the two largest customers accounted for 63% (2024: 98%) of outstanding trade receivables.

Given the nature of the Group's customer base and its historical collection experience, management considers the credit risk to be low.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk at the reporting date represents the carrying amounts of the respective financial assets as presented below:

	2025	2024
	KD	KD
Trade receivables and contract assets	6,120,544	4,839,551
Other receivables	322,631	317,315
Amounts due to a related party	279,180	-
Cash and short-term deposits excluding cash in hand balances	27,745,003	10,611,062
	34,467,358	15,767,928

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure lifetime expected credit losses on trade receivables and contract assets.

Trade receivables are generally unsecured, non-interest bearing and due within normal credit terms of 30–60 days. Contract assets represent unbilled revenue and are reclassified to trade receivables upon invoicing.

Based on historical collection patterns and the assessed credit profile of customers, no material expected credit losses have been recognised as at 31 December 2025 and 2024.

Cash and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Other receivables (including receivables from related parties)

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

19.2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitment. The Group's terms of sales require amounts to be paid within 30 days of the date of sales. Payables are normally settled within 90 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	31 December 2025				
	On demand	Less than 3 months	3-12 months	More than 12 months	Total
	KD	KD	KD	KD	KD
Bank borrowings	-	2,331,198	6,468,865	34,942,684	43,742,747
Islamic financing facilities	-	1,111,506	3,310,391	40,543,468	44,965,365
Lease liabilities	-	22,560	67,680	90,240	180,480
Trade and other payables	-	-	4,742,150	-	4,742,150
	-	3,465,264	14,589,086	75,576,392	93,630,742

	31 December 2024				
	On demand	Less than 3 months	3-12 months	More than 12 months	Total
	KD	KD	KD	KD	KD
Bank borrowings	-	2,396,483	8,534,012	70,736,810	81,667,305
Convertible preference shares	-	533,979	558,980	19,603,120	20,696,079
Amount due to related parties	34,078	-	-	-	34,078
Trade and other payables	-	-	7,393,921	-	7,393,921
	34,078	2,930,462	16,486,913	90,339,930	109,791,383

19.3. Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**19.3.1 Foreign currency risk**

Foreign currency risk arises from financial instruments denominated in currencies other than the Group's functional currency.

The Group's exposure to foreign currency risk primarily relates to trade payables and certain monetary assets and liabilities denominated in US Dollars. The Group monitors its net foreign currency position on an ongoing basis and manages exposures within acceptable limits.

The Group's net foreign currency exposure as at 31 December is as follows:

	2025	2024
	KD	KD
US Dollar (USD)	1,459,748	2,146,273

The following table demonstrates the sensitivity of profit to a reasonably possible change in exchange rates, with all other variables held constant:

Currency	Change in currency rate %	Effect on profit for the year	
		2025	2024
		KD	KD
USD	±5%	72,987	107,314

A strengthening (weakening) of the functional currency against the US Dollar would result in a corresponding decrease (increase) in profit. The analysis assumes that the change in exchange rates is applied to the net monetary position at the reporting date and is presented on a symmetrical basis.

19.3.2. Interest rate risk

Interest risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk primarily in respect of financial instruments bearing interest at variable rates. Islamic finance payables (Note 14) carry fixed profit rates and are therefore not exposed to interest rate risk. Accordingly, the Group's overall exposure to interest rate risk is limited.

Interest rate risk is assessed using a sensitivity analysis based on reasonably possible changes in interest rates.

The sensitivity analysis below reflects the impact on profit of a reasonably possible change of ±50 basis points in interest rates at the reporting date.

	Increase (decrease) in basis points	Effect on profit for the year
2025	±50	190,759
2024	±50	341,255

The sensitivity analysis is based on a reasonably possible change in interest rates at the reporting date and assumes that all other variables remain constant. The analysis does not reflect any actions that management may take to mitigate the impact of interest rate movements.

20. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at acceptable levels. The Group includes within net debt, interest bearing loans and borrowings, Tawaruq payables, convertible preference shares classified as financial liability and other payables, less cash and short term deposits.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes during the years ended 31 December 2025 and 2024.

	2025	2024
	KD	KD
Bank borrowings (Note 13)	38,151,849	68,250,802
Islamic financing facilities (Note 14)	36,694,652	-
Convertible preference shares (Note 15)	-	19,253,879
Trade payables (Note 16)	2,321,935	4,623,552
Less: cash and short-term deposits (Note 10)	(27,750,753)	(10,614,259)
Net debt	49,417,683	81,513,974
Equity holders of the Parent Company	83,779,750	39,826,593
Total capital and debt	133,197,433	121,340,567
Gearing ratio	37.10%	67.18%

21. CONTINGENCIES AND COMMITMENTS**21.1. Contingencies**

At 31 December 2025, the Group had contingent liabilities in respect of bank guarantees issued in the ordinary course of business amounting to KD 38,422,561 (2024: KD 23,504,079).

21.2. Commitments

At 31 December 2025, the Group had commitments for future capital expenditure in respect of construction of oil services equipment related to the extraction of oil and natural gas, and maintenance of oil and petrochemical facilities amounting to KD 1,276,490 (2024: KD 6,643,767).

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments comprise financial assets and financial liabilities.

Fair value of financial instruments carried at amortised cost is not materially different from their carrying values at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.



الشركة العميلة للطاقة (ش.م.ك.ع.)
Action Energy Company (K.S.C.P)