

Caspian Drilling Company LLC

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

*For the year ended 31 December 2019,
with independent auditor's report*





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Independent auditor's report

To the Supervisory Board and Management of
Caspian Drilling Company LLC

Opinion

We have audited the consolidated financial statements of Caspian Drilling Company LLC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Ernst & Young Holdings (GIS) B.V.

2 August 2021


Baku, Azerbaijan

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

	Note	31 December 2019	31 December 2018
Revenue	5	309,682	323,928
Cost of sales	6	(178,867)	(183,931)
Gross profit		130,815	139,997
General and administrative expenses	7	(17,877)	(13,385)
Other income	8	11,796	9,108
Operating profit		124,734	135,720
Finance cost	4	(271)	-
Foreign exchange loss, net		(2,182)	(509)
Profit before tax		122,281	135,211
Income tax expense	9	(26,936)	(28,383)
Profit for the year		95,345	106,828
Other comprehensive loss for the year, net of tax – currency translation differences		(1)	(3)
Total comprehensive income for the year		95,344	106,825

Signed and authorized for release on behalf of management:


Farid Akhundov
 General Director



Ramin Aghaverdiyev
 Deputy Director, Finance

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

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

	Note	31 December 2019	31 December 2018
Non-current assets			
Property, plant and equipment	10	277,751	310,707
Intangible assets	11	1,139	1,336
Deposit in bank	14	43,551	-
Right of use asset	4	1,762	-
Deferred income tax assets	9	14,370	12,446
Total non-current assets		338,573	324,489
Current assets			
Cash and cash equivalents	12	342,778	296,274
Restricted cash	13	5,000	18,282
Deposit in bank	14	-	34,007
Trade and other receivables	15	54,934	50,088
Prepayments	17	5,608	4,499
Inventories	16	31,854	27,753
Prepaid income tax	9	207	313
Other current assets		127	24
Total current assets		440,508	431,240
Total assets		779,081	755,729
Equity			
Charter capital	18	285,846	285,846
Additional paid-in capital		448	448
Retained earnings		423,499	328,154
Cumulative translation differences		7	8
Total equity		709,800	614,456
Non-current liabilities			
Deferred revenue (non-current portion)	5	-	5,426
Lease liability (non-current portion)	4	1,207	-
Total non-current liabilities		1,207	5,426
Current liabilities			
Accounts payable and accrued liabilities	19	50,690	103,043
Advances received		-	5,000
Deferred revenue	5	10,326	12,649
Income tax payable	9	2,004	15,104
Contract liability		4,417	-
Lease liability	4	616	-
Other current liabilities		21	51
Total current liabilities		68,074	135,847
Total liabilities		69,281	141,273
Total equity and liabilities		779,081	755,729

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

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

	Note	Charter capital	Additional paid-in capital	Retained earnings	Cumulative translation differences	Total equity
Balance at 1 January 2018		285,846	448	245,366	11	531,671
Profit for the period		-	-	106,828	-	106,828
Other comprehensive loss		-	-	-	(3)	(3)
Total comprehensive income		-	-	106,828	(3)	106,825
Dividends declared	18	-	-	(24,040)	-	(24,040)
Balance at 31 December 2018		285,846	448	328,154	8	614,456
Profit for the period		-	-	95,345	-	95,345
Other comprehensive loss		-	-	-	(1)	(1)
Total comprehensive income		-	-	95,345	(1)	95,344
Balance at 31 December 2019		285,846	448	423,499	7	709,800

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

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

	Note	2019	2018
Operating activities			
Profit before tax		122,281	135,211
<i>Adjustments for:</i>			
Depreciation and amortization	6, 7	36,205	43,709
Expected credit loss ("ECL")/(ECL reversal)	7	86	(404)
Foreign exchange (gain)/loss, net		(1)	293
Finance cost	4	271	-
<i>Working capital adjustments</i>			
Change in trade and other receivables		(4,846)	(12,800)
Change in prepayments		(1,109)	809
Change in restricted cash		13,282	(12,301)
Change in inventories		(4,101)	(20,360)
Change in other current assets and liabilities		(132)	(20)
Change in due to related parties		-	(969)
Change in advances received		(5,000)	5,000
Change in accounts payable and accrued liabilities		(52,353)	85,980
Change in contract liability		4,417	-
Change in deferred revenue		(7,749)	(42,605)
Cash generated from operations		101,251	181,543
Income tax paid		(41,854)	(7,239)
Interest paid		(271)	-
Net cash flows from operating activities		59,126	174,304
Investing activities			
Purchase of property, plant and equipment		(2,612)	(6,209)
Purchase of intangible assets		-	(590)
Withdrawal of deposits		35,000	-
Placement of deposits		(45,000)	(15,000)
Net cash flows used for investing activities		(12,612)	(21,799)
Financing activities			
Dividends paid	18	-	(14,040)
Payment of lease liability		(380)	-
Net cash flows used for financing activities		(380)	(14,040)
ECL reversal/ (ECL) for cash and cash equivalents	12	370	(4,615)
Net increase in cash and cash equivalents		46,504	133,850
Cash and cash equivalents as at 1 January	12	296,274	162,424
Cash and cash equivalents as at 31 December		342,778	296,274

Non-cash transactions performed by the Group during 2018 are represented by settlement of declared dividends with loan receivable from shareholder in the amount of USD 10,000.

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