

**Caspian Drilling Company LLC**

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

*For the year ended 31 December 2020,  
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 2020, 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 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

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

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

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

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

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

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

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

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

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

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

*Ernst & Young Holdings (CIS) B.V.*

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 2020	31 December 2019
Revenue	5	281,993	309,682
Cost of sales	6	(166,674)	(178,867)
<b>Gross profit</b>		<b>115,319</b>	<b>130,815</b>
General and administrative expenses	7	(21,038)	(17,877)
Other income	8	13,294	11,796
<b>Operating profit</b>		<b>107,575</b>	<b>124,734</b>
Other expenses	9	(10,000)	-
Finance cost	13	(239)	(271)
Foreign exchange loss, net		(2,358)	(2,182)
<b>Profit before tax</b>		<b>94,978</b>	<b>122,281</b>
Income tax expense	10	(25,717)	(26,936)
<b>Profit for the year</b>		<b>69,261</b>	<b>95,345</b>
Other comprehensive loss for the year, net of tax – currency translation differences		-	(1)
<b>Total comprehensive income for the year</b>		<b>69,261</b>	<b>95,344</b>

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 2020	31 December 2019
<b>Non-current assets</b>			
Property, plant and equipment	11	240,917	277,751
Intangible assets	12	1,989	1,139
Deposit in bank	16	68,082	43,551
Right of use asset	13	1,321	1,762
Loan receivable from related party	18	100,382	-
Deferred income tax assets	10	13,652	14,370
<b>Total non-current assets</b>		<b>426,343</b>	<b>338,573</b>
<b>Current assets</b>			
Cash and cash equivalents	14	156,631	342,778
Restricted cash	15	5,000	5,000
Deposit in bank	16	23,790	-
Trade and other receivables	17	56,586	54,934
Prepayments	20	3,941	5,608
Inventories	19	37,429	31,854
Prepaid income tax	10	1,048	207
Other current assets		876	127
<b>Total current assets</b>		<b>285,301</b>	<b>440,508</b>
<b>Total assets</b>		<b>711,644</b>	<b>779,081</b>
<b>Equity</b>			
Charter capital	21	285,846	285,846
Additional paid-in capital		448	448
Retained earnings		368,178	423,499
Cumulative translation differences		7	7
<b>Total equity</b>		<b>654,479</b>	<b>709,800</b>
<b>Non-current liabilities</b>			
Lease liability (non-current portion)	13	843	1,207
Other non-current liabilities		372	-
<b>Total non-current liabilities</b>		<b>1,215</b>	<b>1,207</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	22	50,711	50,690
Deferred revenue	5	4,598	10,326
Income tax payable	10	-	2,004
Contract liability		-	4,417
Lease liability	13	616	616
Other current liabilities		25	21
<b>Total current liabilities</b>		<b>55,950</b>	<b>68,074</b>
<b>Total liabilities</b>		<b>57,165</b>	<b>69,281</b>
<b>Total equity and liabilities</b>		<b>711,644</b>	<b>779,081</b>

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
<b>Balance at 1 January 2019</b>		<b>285,846</b>	<b>448</b>	<b>328,154</b>	<b>8</b>	<b>614,456</b>
Profit for the period		-	-	95,345	-	<b>95,345</b>
Other comprehensive loss		-	-	-	(1)	(1)
<b>Total comprehensive income</b>		-	-	<b>95,345</b>	<b>(1)</b>	<b>95,344</b>
<b>Balance at 31 December 2019</b>		<b>285,846</b>	<b>448</b>	<b>423,499</b>	<b>7</b>	<b>709,800</b>
Profit for the period		-	-	69,261	-	<b>69,261</b>
Other comprehensive loss		-	-	-	-	-
<b>Total comprehensive income</b>		-	-	<b>69,261</b>	-	<b>69,261</b>
Dividends declared	21	-	-	(123,804)	-	<b>(123,804)</b>
Distribution to shareholder		-	-	(778)	-	<b>(778)</b>
<b>Balance at 31 December 2020</b>		<b>285,846</b>	<b>448</b>	<b>368,178</b>	<b>7</b>	<b>654,479</b>

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	2020	2019
<b>Operating activities</b>			
<b>Profit before tax</b>		<b>94,978</b>	<b>122,281</b>
<i>Adjustments for:</i>			
Depreciation and amortization	6, 7	39,110	36,205
Expected credit loss ("ECL")	7	3,079	86
Interest income	8	(1,896)	-
Foreign exchange gain, net		-	(1)
Finance cost	13	235	271
<i>Working capital adjustments</i>			
Change in trade and other receivables		(1,651)	(4,846)
Change in prepayments		1,667	(1,109)
Change in restricted cash		-	13,282
Change in inventories		(5,575)	(4,101)
Change in other current assets and liabilities		(373)	(132)
Change in advances received		-	(5,000)
Change in accounts payable and accrued liabilities		21	(52,353)
Change in contract liability		(4,417)	4,417
Change in deferred revenue		(5,728)	(7,749)
<b>Cash generated from operations</b>		<b>119,450</b>	<b>101,251</b>
Income tax paid	10	(27,845)	(41,854)
Interest paid		(235)	(271)
<b>Net cash flows from operating activities</b>		<b>91,370</b>	<b>59,126</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,384)	(2,612)
Purchase of intangible assets		(1,078)	-
Withdrawal of deposits		-	35,000
Placement of deposits	16	(50,000)	(45,000)
Loan provided to the related parties	18	(100,000)	-
<b>Net cash flows used for investing activities</b>		<b>(153,462)</b>	<b>(12,612)</b>
<b>Financing activities</b>			
Dividends paid	21	(123,804)	-
Payment of lease liability		(364)	(380)
<b>Net cash flows used for financing activities</b>		<b>(124,168)</b>	<b>(380)</b>
ECL reversal for cash and cash equivalents	14	113	370
<b>Net increase in cash and cash equivalents</b>		<b>(186,147)</b>	<b>46,504</b>
<b>Cash and cash equivalents as at 1 January</b>	14	<b>342,778</b>	<b>296,274</b>
<b>Cash and cash equivalents as at 31 December</b>		<b>156,631</b>	<b>342,778</b>

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