



Interim Financial Statements

KCA Deutag Alpha Limited

For the three months ended 31 March 2018

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Consolidated income statement

	Note	Q1 2018 \$m	Q1 2017 \$m
Sales	2	291.1	269.1
Operating costs		(225.3)	(219.0)
EBITDA	2	65.8	50.1
Depreciation/Amortisation		(35.9)	(35.7)
Operating profit (pre-exceptional)		29.9	14.4
Exceptional items (including impairment)	4	(2.5)	0.1
Operating profit (post-exceptional)		27.4	14.5
Net finance costs	3	(43.6)	(38.7)
Loss before tax		(16.2)	(24.2)
Taxation		(7.8)	(8.7)
Loss after tax		(24.0)	(32.9)

Consolidated statement of changes in shareholder's equity

	Share capital \$m	Share premium \$m	Retained earnings \$m	Other reserves \$m	Total \$m
At 1 January 2018	-	14.2	(2,238.0)	2,168.0	(55.8)
Comprehensive (expense) income					
Loss for the period	-	-	(24.0)	-	(24.0)
Other comprehensive (expense) income					
Exchange differences on foreign operations	-	-	-	(0.6)	(0.6)
Fair value movement on cash flow hedges	-	-	-	-	-
Actuarial gains on defined benefit plans	-	-	-	-	-
Total other comprehensive (expense) income	-	-	-	(0.6)	(0.6)
Total comprehensive (expense) income	-	-	(24.0)	(0.6)	(24.6)
Transactions with owners					
Dividend to minority shareholder	-	-	(0.3)	-	(0.3)
At 31 March 2018	-	14.2	(2,262.3)	2,167.4	(80.7)
At 31 December 2017	-	14.2	(2,238.0)	2,168.0	(55.8)

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Consolidated balance sheet

	Note	Q1 2018 \$m	Q1 2017 \$m	Audited Q4 2017 \$m
ASSETS				
Non-current assets				
Property, plant and equipment	6	730.3	797.9	753.0
Goodwill		550.9	550.9	550.9
Intangible assets	7	88.6	98.6	90.5
Investments		2.8	2.3	2.7
Deferred tax assets		55.9	28.1	55.4
Financial assets - derivative financial instruments		-	-	-
		1,428.5	1,477.8	1,452.5
Current assets				
Inventories and work-in-progress		119.5	111.2	107.8
Trade and other receivables	8	235.5	254.6	255.8
Amounts owed by parent company		-	-	3.9
Financial assets - derivative financial instruments		0.7	2.1	1.1
Cash at bank		135.2	149.3	108.3
		490.9	517.2	476.9
Total assets		1,919.4	1,995.0	1,929.4
Liabilities				
Current liabilities				
Bank overdraft		-	(0.1)	-
Trade and other payables	9	(258.9)	(253.6)	(241.9)
Tax liabilities		(34.9)	(36.2)	(34.2)
Financial liabilities - derivative financial instruments		(0.1)	(0.4)	(0.3)
Financial liabilities - borrowings		(26.4)	(22.1)	(27.5)
Provisions and other payables		(1.6)	(1.6)	(1.6)
		(321.9)	(314.0)	(305.5)
Non-current liabilities				
Deferred income		(13.9)	(29.4)	(17.1)
Financial liabilities - borrowings		(1,255.0)	(1,254.3)	(1,258.2)
Amounts owed to parent company		(219.3)	(168.3)	(216.7)
Deferred tax liabilities		(47.7)	(43.9)	(49.3)
Retirement benefit obligations		(137.6)	(129.9)	(133.3)
Provisions and other non-current liabilities		(4.7)	(3.6)	(5.1)
		(1,678.2)	(1,629.4)	(1,679.7)
Total liabilities		(2,000.1)	(1,943.4)	(1,985.2)
Net (liabilities) assets		(80.7)	51.6	(55.8)
Capital and reserves				
Share capital		-	-	-
Share premium reserve		14.2	14.2	14.2
Other reserves		2,167.4	2,172.0	2,168.0
Retained earnings (deficit)		(2,262.3)	(2,134.6)	(2,238.0)
Total shareholders' (deficit) surplus		(80.7)	51.6	(55.8)

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Consolidated cash flow statement

	Note	Q1 2018 \$m	Q1 2017 \$m
Cash flows from operating activities			
Cash generated from operations	10	62.5	21.4
Tax paid		(8.1)	(8.5)
Net cash inflow from operating activities		54.4	12.9
Cash flows from investing activities			
Capital expenditure		(8.5)	(6.4)
Proceeds from sale of property, plant and equipment		0.8	0.2
Purchase of intangible assets		(0.9)	(0.4)
Interest received		6.0	5.4
Net cash in (out) flow from investing activities		(2.6)	(1.2)
Cash flows from financing activities			
Bank loan (repayments)/drawdowns		(5.3)	(5.7)
Interest paid, including capitalised interest		(13.9)	(14.9)
Finance lease payments		(1.0)	(0.9)
Dividend paid to minority shareholders		(0.3)	(0.3)
Net cash in (out) flow from financing activities		(20.5)	(21.8)
Effect of foreign exchange rate changes on cash and bank overdrafts		(4.4)	(2.6)
Net cash in (out) flow		26.9	(12.7)
Cash and cash equivalents at start of period		108.3	161.9
Cash and cash equivalents at end of period		135.2	149.2

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Notes to the Quarterly Financial Statements

1. Significant Accounting Policies

1.1 COMPLIANCE WITH IAS 34

These condensed quarterly consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not contain all the disclosures required for annual financial statements and should therefore be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

1.2 BASIS OF PREPARATION

1.2.1 General principle

The preparation of these condensed quarterly financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement, complexity or areas where assumptions and estimates are significant to the condensed quarterly consolidated financial statements are disclosed in Note 1.2.2.

1.2.2 Accounting estimates and judgements

Accounting estimates and underlying assumptions are based on past experience and other factors considered reasonable under the circumstances.

They serve as the basis for any judgement required for determining the carrying amounts of assets and liabilities when such amounts cannot be obtained directly from other sources.

Actual amounts may differ from these estimates.

The main sources of uncertainty relating to estimates used to prepare the interim consolidated financial statements were the same as those described in the full year 2017 consolidated financial statements.

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2. Segment reporting

In 2018 KCA Deutag had 4 Business Units. Following the gradual reduction in significance of our mobile offshore drilling units to our overall business, and the transition of day to day management of the residual activities to Platform Services, the results of the mobile offshore drilling units are now combined with the Platform Services business and now reported as Offshore Services.

	Q1 2018 \$m	Q1 2017 \$m
Revenues		
Land Drilling	120.4	122.2
Bentec	15.1	15.6
Offshore Services	144.2	119.0
RDS	14.5	14.2
Corporate costs/other	0.2	0.1
Elimination on consolidation	(3.3)	(2.0)
GROUP TOTAL	291.1	269.1
EBITDA (pre-exceptional)		
Land Drilling	45.7	43.0
Bentec	(1.6)	0.3
Offshore Services	26.6	11.3
RDS	0.4	0.6
Corporate costs/other	(5.3)	(5.1)
Elimination on consolidation ¹	-	-
GROUP TOTAL	65.8	50.1

¹ Eliminations on consolidation principally relate to profits generated by Bentec on sales to Land Drilling and to support the Group's capital expenditure programme.

3. Net finance costs

	Q1 2018 \$m	Q1 2017 \$m
Interest payable to immediate parent company	(6.6)	(5.4)
Interest payable on bank borrowings	(6.7)	(5.8)
Interest payable on Senior Secured Notes	(20.0)	(18.8)
Finance costs on finance leases	(0.1)	(0.2)
Amortisation of arrangement fees	(1.6)	(2.2)
Amortisation of discount assets	(0.5)	(1.3)
Other finance costs	(1.7)	(4.2)
Finance costs	(37.2)	(37.9)
Finance income	0.9	1.4
Exchange (losses) gains	(7.3)	(2.2)
Finance costs – net	(43.6)	(38.7)

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4. Exceptional items

	Q1 2018 \$m	Q1 2017 \$m
Reorganisation costs ¹	(2.5)	0.1
GROUP TOTAL	(2.5)	0.1

¹ Reorganisation costs primarily relate to the Group's cost reduction, restructuring, redundancy and other project expenditure.

5. Reconciliation of net debt

	Q1 2018 \$m	Q1 2017 \$m
Opening net debt	(1,177.4)	(1,117.2)
Net cash in (out) flow	26.9	(12.7)
Repayment / (Drawdown) of debt	6.3	6.6
Other non-cash movements	(2.0)	(3.9)
Closing net debt per balance sheet	(1,146.2)	(1,127.2)
Capitalised arrangement fees	(31.8)	(25.8)
Closing net debt	(1,178.0)	(1,153.0)

KCA Deutag Alpha Limited, their affiliates or other related parties may or may not opportunistically purchase debt in one or more series of open-market transactions from time to time.

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6. Tangible fixed assets

	Land and buildings – long leasehold and freehold \$m	Drilling rigs and equipment \$m	Plant, machinery and vehicles \$m	Total \$m
Cost				
At 1 January 2018	31.4	1,489.2	92.3	1,612.9
Additions at cost	-	8.1	0.4	8.5
Disposals	-	(1.2)	(0.1)	(1.3)
Exchange adjustments	0.4	4.2	3.7	8.3
At 31 March 2018	31.8	1,500.3	96.3	1,628.4
Accumulated depreciation				
At 1 January 2018	6.6	847.6	5.7	859.9
Charge for the period	0.4	31.3	1.1	32.8
Disposals	-	(1.1)	(0.1)	(1.2)
Exchange adjustments	-	3.2	3.4	6.6
At 31 March 2018	7.0	881.0	10.1	898.1
Net carrying amount				
At 31 March 2018	24.8	619.3	86.2	730.3
Net carrying amount At 31 December 2017	24.8	641.6	86.6	753.0

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7. Intangible assets

	Customer relationships and contracts \$m	Trade name \$m	Technology \$m	Total \$m
Cost				
At 1 January 2018	196.0	176.3	41.2	413.5
Additions at cost	-	-	0.9	0.9
Exchange	-	-	1.0	1.0
At 31 March 2018	196.0	176.3	43.1	415.4
Accumulated amortisation				
At 1 January 2018	196.0	95.6	31.4	323.0
Charge for the period	-	2.0	1.1	3.1
Exchange	-	-	0.7	0.7
At 31 March 2018	196.0	97.6	33.2	326.8
Net carrying amount				
At 31 March 2018	-	78.7	9.9	88.6
Net carrying amount At 31 December 2017	-	80.7	9.8	90.5

8. Trade and other receivables

	Q1 2018 \$m	Q1 2017 \$m
Trade receivables	202.8	230.0
Other receivables	16.7	10.9
Prepayments and accrued income	16.0	13.7
Total	235.5	254.6

9. Trade and other payables

	Q1 2018 \$m	Q1 2017 \$m
Trade payables	40.0	45.4
Other tax and social security	15.1	13.7
Other payables	66.8	58.5
Accruals	92.5	109.1
Payments received on account	31.4	6.0
Deferred income	13.1	20.9
Total	258.9	253.6

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10. Cash generated from operating activities

	Q1 2018 \$m	Q1 2017 \$m
Loss for the period	(24.0)	(32.9)
Adjustments for:		
Tax charge	7.8	8.7
Depreciation	32.8	32.2
Amortisation of intangible assets	3.1	3.5
Loss (gain) on sale of property, plant and equipment	(0.7)	(0.1)
Net movement in provisions, other liabilities and retirement benefit obligations	0.4	0.8
Net finance cost	43.6	38.7
Share of results of associates	(0.1)	-
(Increase)/decrease in inventories and work in progress	(11.7)	(4.9)
Decrease/(increase) in trade and other receivables	20.3	(17.8)
(Decrease)/increase in trade and other payables	(7.0)	(11.2)
Exchange differences from operating activities	(2.0)	4.4
Cash generated from operating activities	62.5	21.4