For immediate release	

KCA Deutag Alpha Limited
("KCA Deutag" or the "Group")

Results for the three months ended 31 March 2018

KCA Deutag, one of the world's leading drilling and engineering contractors, is pleased to announce its results for the three months ended 31 March 2018, reporting EBITDA of $65.8m.

Highlights

- First quarter revenues of $291.1m (2017: $269.1m)
- Group Q1 2018 EBITDA of $65.8m (2017: $50.1m)
- Acquisition of the Omani and Saudi Arabian businesses of Dalma Energy LLC completed on 30 April 2018, bringing 29 additional land rigs into the fleet
- Successful re-award of platform drilling contract on five of Equinor's (formerly Statoil) platforms in the Norwegian North Sea worth up to $800m
- Bentec awarded contract in Poland to supply a new build 2,000 HP drilling rig
- Combined contract backlog at 1 May 2018 of $6.3bn across a blue chip customer base
- Available liquidity of $259.7m at 31 March 2018

Commenting on the results Norrie McKay, KCA Deutag's Chief Executive Officer said:

"The first quarter EBITDA was in line with the fourth quarter of 2017 but ahead of Q1, 2017. Q1, 2018 EBITDA benefited from some one-off items, including $12.0m as a result of a settlement with a customer for a significant overdue receivable, and a $7.5m early termination fee in Oman.

2018 has been a very active period for the group, and on 30 April 2018, we announced the completion of the acquisition of the Omani and Saudi Arabian businesses of Dalma Energy LLC. As a result of the acquisition KCA Deutag is now one of the largest International owners and operators of drilling rigs in the Middle East. The acquisition was partly financed by the issue of a new bond for $400m due 2023 and an increase and extension of our Term Loan B facility.

In April, our Offshore Services business unit was successfully re-awarded a contract for the provision of drilling operations, maintenance services and engineering support by Equinor for five platforms operating in the Norwegian North Sea in the Oseberg and Kvitebjørn fields.

Bentec also had a good contract win in the quarter, as we were successful in securing a rig order from a customer in Poland to supply a new build 2,000 HP drilling rig.

Combined contract backlog of $6.3bn at 1 May 2018 benefitted from these contract wins, as well as the addition of the backlog related to the Dalma acquisition.

We had strong liquidity at the end of the quarter, with $259.7m available under undrawn facilities. Our liquidity position was boosted by the $41.9m overdue receivable collection in February.

Oil prices have continued to steadily improve so far in 2018. This has helped to maintain general market sentiment with most analysts forecasting a more balanced supply and demand position in global markets with reducing inventory levels. However, in spite of these signs of a tightening oil market, there has been little upward revision in E&P spending, with continued operator hesitancy around increasing investment. Given this outlook, we anticipate recovery will be slow, and while we continue to experience high levels of tendering activity in many markets, it is taking longer than expected for tenders to convert into contract awards.

Overall performance in the first quarter was satisfactory, albeit assisted by some one-off items that benefited both the bottom line as well providing a welcome boost to liquidity. The fundamentals of our business remain strong and the completion of the acquisition of the Omani and Saudi Arabian businesses of Dalma Energy LLC is a significant strategic step forward for the company."

Business Review

Revenue and EBITDA

$m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Revenue from business units	294	307	271	294	271
Consolidation adjustments	(3)	(3)	(2)	(3)	(2)
Total Revenue	**291**	**304**	**269**	**291**	**269**
EBITDA from business units	71	70	55	71	55
Consolidation adjustments	0	0	0	0	0
Exchange	0	0	0	0	0
Corporate costs	(5)	(4)	(5)	(5)	(5)
Total EBITDA	**66**	**66**	**50**	**66**	**50**

Land Drilling

The Land Drilling business unit reported EBITDA of $45.7m compared to $43.0m in Q1, 2017 and $42.4m in Q4, 2017.

Land Drilling

$m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Revenue	120	127	122	**120**	**122**
EBITDA	46	42	43	**46**	**43**

Land Drilling EBITDA in the first quarter was higher than in both Q1, 2017 and Q4, 2017. Performance in Oman in the quarter was positively impacted by early termination fees in respect of a rig in Oman, which ended its contract early. Utilisation in Russia reduced slightly in the first quarter, and we anticipate some additional gaps in utilisation during the second and third quarters. Our last two rigs working on CDS contracts in Russia transferred onto day rate contracts during Q1, 2018, allowing us to release a provision related to these contracts in February.

In Algeria utilisation remained steady during the first quarter with three rigs working, however since the end of the quarter one of these rigs has completed its contract. We do continue to see a robust level of tendering opportunities, but the final decisions continue to be postponed and it is taking longer than anticipated for these tenders to be converted into contracts.

In Nigeria activity remains very low, however in April one of our rigs commenced work on a short term contract. In addition, during Q1, 2018 we collected an overdue receivable which allowed us to release a $2.7m provision.

Following completion of the acquisition of the Omani and Saudi Arabian businesses of Dalma Energy LLC in April, our Land business unit has commenced work on the integration and consolidation of these operations into the enlarged KCA Deutag group.

Bentec

The Bentec business unit reported an EBITDA of ($1.6m) compared to EBITDA of $0.3m in Q1, 2017 and ($0.5m) in Q4, 2017.

Bentec $m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Revenue	15	19	16	15	**16**
EBITDA (net of eliminations on consolidation)	(2)	(1)	0	(2)	**0**

Bentec experienced a small reduction in activity from the fourth quarter with lower levels of component sales impacted by the timing of deliveries. During the quarter Bentec started the manufacture of the five rig order for a customer in the Ukraine with deliveries scheduled to start from Q3 2018 until Q2 2019.

Under the new revenue recognition standard IFRS 15, which became effective for accounting periods beginning on or after 1 January 2018, revenues under this contract will be recognised on delivery of the rigs and associated equipment rather than recognising revenue and EBITDA based on the percentage of completion.

During the quarter Bentec was successful in securing an additional rig order from a customer in Poland to supply a new build 2,000 HP drilling rig. This brings the total number of rigs currently in the order book to six. This gives us confidence that earnings from Bentec will improve in the second half of the year as rig deliveries commence.

Offshore Services

The Offshore Services business unit reported EBITDA of $26.6m compared to $11.3m in Q1, 2017 and $26.5m in Q4, 2017.

Offshore Services $m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Revenue	144	145	119	144	**119**
EBITDA	27	27	11	27	**11**

Offshore Services activity showed a small increase in EBITDA from Q4, 2017 and a significant increase from the first quarter of 2017. During the quarter, we reached a settlement in respect of amounts significantly overdue under a drilling contract offshore Angola, which resulted in the receipt of $41.9m in February. This allowed us to release a provision during the first quarter, resulting in an EBITDA upside of $12.0m. During Q4, 2017 we had high earnings in Norway associated with the delivery of the two new Cat J jack-up rigs, which both moved into the operational phase of the contract during the first quarter of 2018. Without the impact of these one-off items, our underlying activity in Offshore Services in the first quarter was slightly lower than the prior quarter due to seasonal activity reductions, particularly in the North Sea.

In Norway we were successfully re-awarded a contract on five of Equinor's platforms for the provision of drilling operations, maintenance services and engineering support for the Oseberg and Kvitebjørn fields. The new contract will commence on 1 October 2018, for four years with options to extend by up to another six years. In addition, we were also granted an extension to our current drilling contract on the Ringhorne platform by operator Point Resources AS also in the Norwegian North Sea. The contract extension is for four years with options to extend for up to another four years.

RDS

The RDS business unit reported EBITDA of $0.4m compared to $0.6m in Q1, 2017 and $1.6m in Q4, 2017.

RDS

$m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Revenue	15	15	14	15	**14**
EBITDA	0	2	1	0	**1**

RDS activity has continued at low levels with limited opportunities to secure new work, particularly new greenfield projects. EBITDA reduced slightly from the fourth quarter, which benefitted from the release of certain provisions.

Our expectation remains that a significant rebound in RDS activity will depend on the strength of the recovery and the rate at which longer-term confidence returns to our customers. We continue to focus on securing what limited projects are available whilst also continuing to manage our costs and seek diversification opportunities out with the oil and gas sector.

Corporate Costs/Other

Corporate costs for the three months ended 31 March 2018 were slightly higher than in Q4, 2017 due to incentive pay accruals and the phasing of certain costs.

There was an exchange gain of $0.3m in Q1, 2018 compared to a gain of $0.2m in Q4, 2017 and an exchange loss of $0.3m in Q1, 2017.

Cashflow

$m	Q1 2018	Q4 2017	Q1 2017	2018 YTD	2017 YTD
Cash flow from operating activities	54	88	13	**54**	**13**
Cash flow from investing activities	(3)	(4)	(1)	**(3)**	**(1)**
Interest paid	(14)	(53)	(15)	**(14)**	**(15)**
Foreign exchange	(4)	3	(3)	**(4)**	**(3)**
Net cash flow before debt repayment	**33**	**34**	**(6)**	33	(6)
Draw down (repayment) of debt - incl arrangement fees paid	(6)	(6)	(7)	**(6)**	**(7)**
Net cash flow	**27**	**28**	**(13)**	**27**	**(13)**

Cashflow from operating activities in Q1, 2018 was $54.4m compared to $88.2m in Q4, 2017 and $12.9m in Q1, 2017. The variances are largely driven by working capital, as during Q1, 2018 we had a reduction in receivables associated with the receipt of the $41.9m overdue receivable already referenced. This drives most of the improvement from Q1, 2017 offset by increased inventory and work in progress associated with the construction of rigs in Bentec and lower levels of accrued liabilities due to reduced CDS activities in Russia. Cashflow from operating activities in Q4, 2017 benefitted from early customer collections, and a significant advanced payment received by Bentec relating to a rig contract.

Cashflow from investing activities was an outflow of $2.6m in Q1, 2018 compared to $4.3m in Q4, 2017 and $1.2m in Q1, 2017. Capital expenditure was $9.4m in Q1, 2018 compared to $10.9m in Q4, 2017 and $6.8m in Q1, 2017.

Interest paid in the quarter of $13.9m was lower than the $14.9m in Q1, 2017 and the $53.3m in Q4, 2017 due to timing differences of the six monthly interest payments.

Overall net cashflow before draw down or repayment of debt was an inflow of $33m compared to an inflow of $34m in Q4, 2017 and an outflow of $6m in Q1, 2017.