For immediate release	

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

Results for the three months ended 31 December 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 December 2018, reporting EBITDA of $71.3m.

Highlights

- Full year revenues of $1,262.6m (2017: $1,166.2m)
- Group 2018 EBITDA of $253.9m (2017: $221.5m)
- Contract backlog of $5.6bn across a blue chip customer base
- Operational integration of the former Dalma business now complete
- Land Drilling, Offshore and RDS have been awarded several new contracts
- Available liquidity of $186.4m at 31 December 2018

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

"The fourth quarter EBITDA was in line with the third quarter of 2018 and higher than the fourth quarter of 2017. This year on year increase was due to the acquisition of the Dalma operations in Oman and Saudi Arabia on 30 April 2018. Compared to the third quarter we had stronger performance from Bentec and Offshore Services. The underlying results for our Land business were also ahead of the prior quarter, for both the Dalma business and our legacy Land business, although the Q3 result was higher due to the early termination fees received for 2 rigs in Oman last quarter.

In Land Drilling we have been awarded a number of new contracts and are seeing an increase in utilisation levels. The operational integration of Dalma is now complete, with KCA Deutag systems and processes implemented across the acquired fleet.

Bentec activity was strong during the quarter, when we delivered a new build rig and a number of component orders to our clients. We continue to see an active tendering market supported by a significant backlog of both rigs as well as top drive and other component orders.

Offshore Services has remained relatively robust. We had stronger performance than in the third quarter mainly due to our North Sea operations in Norway and the UK. We were successfully awarded a contract by Enquest in the UK North Sea which included the addition of a third platform, and we currently have a number of large international tenders expected to be decided shortly.

RDS activity has remained at relatively low levels although we are starting to see more opportunities as operators seek to increase maintenance on assets. We were recently awarded a follow on detailed design contract for a Greenfield platform, our first award of this kind since 2014.

We had strong liquidity at the end of the year, with $186.4m available under undrawn facilities.

During the fourth quarter we saw a significant reduction in the Brent oil price, which fell to close to $50 per barrel during December. Whilst prices have recovered somewhat in early 2019 they remain volatile. However, tendering activity is strong and we are now seeing utilisation levels increase. We are encouraged by these positive developments, which we see as indicators of market improvement."

Business Review

KCA Deutag reports that Adjusted EBITDA for the fourth quarter of 2018 was $71.3m, compared to $65.8m for Q4, 2017 and $70.9m for Q3, 2018.

Revenue and EBITDA

$m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Revenue from business units	335	348	303	1,274	1,177
Consolidation adjustments	(3)	(2)	(3)	(11)	(11)
Total Revenue	**333**	**346**	**300**	**1,263**	**1,166**
EBITDA from business units	76	76	70	274	240
Consolidation adjustments	0	0	0	0	0
Exchange	(1)	0	0	(1)	1
Corporate costs	(4)	(5)	(4)	(19)	(19)
Total EBITDA	**71**	**71**	**66**	**254**	**222**

Land Drilling

The Land Drilling business unit reported EBITDA of $49.9m compared to $42.4m in Q4, 2017 and $54.1m in Q3, 2018.

Land Drilling

$m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Revenue	160	176	123	**602**	**496**
EBITDA	50	54	42	**183**	**164**

Land Drilling EBITDA in the fourth quarter was lower than Q3, 2018 but higher than in Q4, 2017. The principal driver of the year on year increase was the acquisition of the Dalma businesses in Oman and Saudi Arabia on 30 April 2018. The Dalma rigs generated EBITDA of $23.8m in the fourth quarter compared to $16.5m in Q3, 2018. During the third quarter we had early termination fees of $14.1m on two of the non Dalma rigs operating on the Khazzan field in Oman.

Activity in Russia was slightly higher than in Q3, 2018 but was lower than in the fourth quarter of 2017. During the fourth quarter we had 15 of our 17 rigs operating compared to 14 rigs operating in the third quarter with the higher utilisation positively impacting performance. The results were lower than in Q4, 2017 which benefitted from some higher margin combined drillings services (CDS) revenues. We have no ongoing CDS activity with the Russian market having largely moved to a more traditional day rate model.

Full year results for Russia were lower than in 2017. This was the result of the decline in CDS opportunities, utilisation levels being below the near full utilisation we experienced in 2017 and the impact of the devaluation of the rouble during the year.

Our results in Oman compared to Q3, 2018 were lower due to the Khazzan early termination fees, although this was partly offset by improved performance from the Dalma rigs in Oman. We also had an improved performance in Saudi Arabia where our third quarter results were negatively impacted by all of our rigs being shut down for a period following operational issues reducing Q3 EBITDA by nearly $7m. One of our rigs in Saudi Arabia remained shut down for most of the fourth quarter which reduced Q4 EBITDA by $2m, but this rig restarted operations in early December. All of our rigs in Saudi Arabia are now operating on full contractual day rate.

In Algeria the market conditions have remained challenging with only 2 rigs operating in the quarter. This compares to 5 rigs under contract in Q4, 2017. There are still a number of tendering opportunities and the market remains competitive, however we have recently been awarded a new contract for a stacked rig, as well as a contract extension for one of our operating rigs.

In Nigeria we have been successful in winning contracts for 2 rigs with signs of increasing commercial activity in this market.

Bentec

The Bentec business unit reported an EBITDA of $3.8m compared to EBITDA of ($0.5m) in Q4, 2017 and $2.3m in Q3, 2018.

Bentec $m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Revenue	46	35	19	**107**	**73**
EBITDA (net of eliminations on consolidation)	4	2	(1)	**4**	**0**

During the quarter Bentec had higher EBITDA due to the delivery of a rig to a customer in Poland together with stronger rig component sales and after sales revenues. Backlog remains robust with 4 rigs under construction at year end for a customer in the Ukraine, the first rig having been delivered in the third quarter. We remain in dispute with a major subcontractor for the Ukraine 5 rig project and booked a further provision of $6.8m in the fourth quarter as an exceptional charge. We have taken this provision on a prudent basis and continue to take steps to pursue our rights against the relevant subcontractor and we consider that we are in a strong position in this regard.

Tendering activity in Bentec remains relatively strong for both rig order opportunities as well as components as many of our customers seek to restart or refresh their assets.

Offshore Services

The Offshore Services business unit reported EBITDA of $21.7m compared to $26.5m in Q4, 2017 and $19.4m in Q3, 2018.

Offshore Services

$m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Revenue	117	124	145	**512**	**549**
EBITDA	22	19	27	**85**	**73**

Offshore Services had higher EBITDA than in Q3, 2018 but was slightly lower than in Q4, 2017. Full year EBITDA increased from $73.2m in 2017 to $84.5m in 2018.

Our Norwegian operations delivered a stronger fourth quarter than Q3, 2018. On 1 October we started a new platform drilling contract for 5 platforms for a customer in Norway which, together with the contract for the 2 Cat J jack up rigs, delivered improved EBITDA compared to Q3, 2018. The results in Q4, 2018 were lower than in Q4, 2017 principally as a result of the higher mobilisation and acceptance bonuses awarded in 2017 when the 2 jack up rigs arrived in Norway and passed local Norwegian certification and acceptance procedures.

In our International operations activity continued at consistently strong levels quarter on quarter in Azerbaijan, Canada, Angola and Sakhalin.

RDS

The RDS business unit reported EBITDA of $0.7m compared to $1.6m in Q4, 2017 and $0.1m in Q3, 2018.

RDS

$m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Revenue	12	13	15	**52**	**58**
EBITDA	1	0	2	**2**	**2**

RDS activity continues at lower levels but there are early signs of increased opportunities to secure new work with the greenfield opportunity pipeline also beginning to get stronger. During the fourth quarter we completed a FEED study and have now been awarded a follow on detailed design contract.

Brownfield work in the UK, Norway and Caspian has remained at similar levels to prior quarters.

RDS continues to target diversification opportunities in the FPSO, Subsea and Wind power sectors where our core skills offer potential to win work.

Corporate Costs/Other

Corporate costs for the three months ended 31 December 2018 were $4.0m compared to $4.5m in Q3, 2018 and $4.4m in Q4, 2017.

There was an exchange loss of $1.0m in Q4, 2018 compared to a loss of $0.4m in Q3, 2018 and an exchange gain of $0.2m in Q4, 2017.

Cashflow

$m	Q4 2018	Q3 2018	Q4 2017	2018 YTD	2017 YTD
Cash flow from operating activities	81	(4)	88	132	146
Cash flow from investing activities	(4)	(8)	(4)	(461)	(39)
Interest paid	(78)	(17)	(53)	(172)	(132)
Foreign exchange	(2)	(2)	3	(13)	(13)
Net cash flow before debt (draw down)/repayment	**(3)**	**(31)**	**34**	**(513)**	**(38)**
Draw down (repayment) of debt - incl arrangement fees paid	105	(6)	(6)	524	(16)
Net cash flow	**103**	**(37)**	**28**	**10**	**(54)**

Cashflow from operating activities in Q4, 2018 was an inflow of $81.1m in Q4, 2018 compared to an outflow of $3.9m in Q3, 2018 and an inflow of $88.2m in Q4, 2017. During the fourth quarter we experienced a reduction in receivables due to collections in Bentec for rig sales in Poland and the Ukraine, together with collections in Land Drilling associated with early termination fees on 2 of our rigs in Oman which were invoiced in the third quarter. Inventory levels reduced in the fourth quarter principally due to lower Bentec work in process. Full year operating cashflow was an inflow of $132.4m in 2018 compared to $146.3m in 2017.

Cashflow from investing activities was an outflow of $3.5m in Q4, 2018 compared to $8.1m in Q3, 2018 and $4.3m in Q4, 2017. Capital expenditure in the fourth quarter was $9.5m compared to $13.4m in Q3, 2018 and $9.5m in Q4, 2017. The full year cash flow from investing activities includes $440.2m associated with the acquisition of the former Dalma businesses in Oman and Saudi Arabia.

Interest paid in Q4, 2018 was $78.2m compared to $16.7m in Q3, 2018 and $53.3m in Q4, 2017. This reflects the 6 monthly phasing of cash interest on our loan notes and the impact of the additional debt taken on as part of the Dalma acquisition.

Overall net cashflow before draw down or repayment of debt was an outflow of $3m in Q4, 2018 compared to an outflow of $31m in Q3, 2018 and an inflow of $34m in Q4, 2017.