

VENTURE

GLOBAL NEWS FOR KCA DEUTAG PEOPLE, SPRING 2013



Proven Performance

Examples from Angola, Kazakhstan and Russia

4

DART/RGU

DART training is moving to Robert Gordon University.

8

HSE FORUM

A gathering of all HSE and training personnel to share their expertise.

12

BUSINESS EFFICIENCY

An update on what's been achieved so far.

CONTENTS

2. Message from CEO
3. Statoil and Perisai contracts
4. Angola Platform BBLT
5. T-47 Living Quarters
6. DART teams up with RGU
7. Case Study: CDS GSM achievement
8. Interview: Richard Watkiss
9. Safety: HSSET Forum
10. Safety: Haythem's experience
11. The KCA Deutag Brand and IMS
12. Business Efficiency
14. Outward Bound
15. Achievements

CONTACT US

We value your comments and if you have any material you would like considered for the next edition, please contact:

Kirsty.Allan@kcadeutag.com
Karla.Hall@kcadeutag.com

All submissions are considered but may not be printed due to space.

Message from the CEO

Here we are with the first issue of Venture for 2013. For this Venture the theme is proven performance. This is something that KCA Deutag has done time and time again for our clients across the world.

We have had a positive start to the year with a number of contracts being awarded in areas where we have an established presence, such as the UK and Norwegian Continental Shelf, and in emerging markets such as South East Asia where we recently won a contract that will continue our work in Malaysia.

We finished last year by entering Myanmar, an entirely new market. In 2013, I hope that we can continue to consolidate our presence in existing markets while at the same time, finding new ones to bring KCA Deutag into. We have been doing incredibly strong work for our clients and I hope that this

will carry us forward with our ambitions to grow in new ways.

This issue features a strong but positive safety message. I often speak about the importance of being safe in everything we do and I'm pleased that we are able to bring you some stories about how this is being done. Your efforts are greatly appreciated.

2012 was an incredibly busy year for KCA Deutag with a number of projects being progressed, important contracts secured and even drilling operations world records being broken by some of our crews. Of course, our industry has its challenges, but the team work and composure of our people makes it easier for us to feel rewarded and safe. I can tell already that 2013 is shaping up to be just as busy and successful, perhaps even more so. I foresee further awards, business efficiency improvements and continued developments worldwide. How can I be sure? Because that is The KCA Deutag Way. It is what sets us aside from our competitors. I can see our values and practices applied across the entire business and, as long as that lives on, I know we will continue to meet and exceed expectations.



I'd like to take this opportunity to thank you for your continued efforts. Without the hard work and dedication of all staff, KCA Deutag would not be where it is today and for that you should all feel proud. Thank you.

Norrie McKay
CEO, KCA Deutag



KCA Deutag awarded new contract with Statoil in Norway

At the end of 2012, KCA Deutag was awarded a contract for the provision of drill pipe pool services in the Norwegian Continental Shelf from international energy company Statoil.

The work could last up to 10 years and covers the management, maintenance and logistics of the drill pipe required to perform drilling services. Through the contract, KCA Deutag will provide drill pipe pool services across 17 of Statoil's platforms including the seven platforms where KCA Deutag is currently the drilling contractor.

Ørjan Kvande, Sales and Rental Manager at KCA Deutag, said: "This contract is confirmation of Statoil's satisfaction with our work over the past eight years. We look forward to continuing to deliver and fulfil Statoil's expectations in the years ahead."

This contract win follows KCA Deutag's award announcement in May 2012 regarding the long-term drilling contracts for Statoil in the Oseberg and Gulfaks fields in Norway's North Sea.

Paul Horne, Country Manager for KCA Deutag in Norway, said: "I look upon this contract



Platform operating in the Norwegian Continental Shelf

as a vote of confidence and acknowledgement of the success of our previous drilling services provision for Statoil. It is a further step towards becoming the most recognized supplier of drilling and engineering services on the Norwegian Continental Shelf."

The group's activities in Norway also include 115 engineers in KCA Deutag's engineering

division, RDS, which is based in Bergen. RDS is involved in planning and executing modification and upgrade projects and work offshore. They recently won the rig modification work for the Gulfaks platform, a three year multi-million dollar refurbishment on Gulfaks B.

KCA Deutag announces its first drilling operations and management contract on newbuild jack-up rigs

KCA Deutag has signed a contract with Perisai Petroleum Teknologi Bhd of Malaysia for the provision of drilling operations, management and maintenance services on the Perisai Pacific 101 jack-up. The agreement also calls for KCA Deutag to train, coach and mentor National Malaysian management and crews.

The Perisai Pacific 101 jack-up rig is currently being built in Singapore and it is scheduled to be completed in July 2014.

KCA Deutag drilling and maintenance crews will be involved in the latter stages of construction, commissioning and final testing. Thereafter, the company will have a drilling crew of experienced people working offshore and an additional group of onshore support personnel. The support that KCA Deutag provides will enhance and grow Malaysian capabilities on a programme structured to handover operations to Perisai in the short term.

Larry Stamp, Regional Manager for South East Asia, said: "This is a very exciting project for KCA Deutag to be involved with. Having the opportunity to work on a new rig build and then provide the operational crew is a great opportunity for us and we look forward to working with Perisai. We also see further opportunity to cooperate on other similar projects in the near future."

KCA Deutag has also recently moved its regional office from Singapore to Kuala Lumpur in recognition of the growing importance of Kuala Lumpur as the premier oil and gas centre in South East Asia. From this office, the company will manage drilling operations currently taking place in Malaysia, Myanmar and Brunei.

Martin Ellins, KCA Deutag's Senior Vice President for Mobile

Offshore Drilling Units,(MODUs) said: "One of our strategic objectives has been to offer our expertise and reputation for safe, effective and trouble-free operations to the market where the rigs are owned by entities that need drilling operations and management services - this contract with Perisai is the first of such type for our MODUs function."

" South East Asia is an important growth market for KCA Deutag and securing this contract will help us increase our presence in a rapidly expanding region."

Angola Platform BBLT - recognition for Outstanding Performance



The team that turned around safety and operational performance on the Chevron BBLT rig

2012 ended on a high note for the crew of the Benguela Belize Platform (BBLT), based in Angola, with the rig receiving two significant awards from Chevron. Angola Country Manager, John Joyce, tells us about the achievement.

From the outset of 2012, the entire BBLT team embraced the challenge to improve in both HSE and Operational Performance. It was not without its set-backs, but by year end a significant turnaround had been achieved on the previous year's results. In recognition of this achievement, Chevron named the BBLT as Outstanding Rig of the Year (2012). This was awarded for meeting the following criteria, no days away from work (DAFW), no spills to water, and 97.6% rig reliability.

The BBLT team was also awarded Super Rig of the

Month in December 2012 for achieving 31 Super Rig Days, or in KCA Deutag terms – 31 Perfect Days. KCA Deutag also provided recognition and voted BBLT Outstanding Rig of the Year - delivering safe, effective, trouble-free operations.

The turnaround in performance delivered by the BBLT team is testament to the hard-work and continued efforts of everyone involved. From the painters and roustabouts to the rig management team, everyone has played their part.

All of this was achieved by rigorous safety observations, inspections and active monitoring. Coaching and team workshops renewed focus and improved understanding of ownership, accountability and responsibility and delivered behavioural change at all levels of the team. Reinforcing the

role of supervisors has enabled the senior personnel to stand back, allowing them to coach, mentor and develop crew skills and competency.

The Non Productive Time (NPT) performance, delivered in 2012 included 10 months in Green Light status including 6 consecutive months (July-December). Drilling KPI performance shows that the crews are regularly achieving or exceeding the targets set for tripping, pressure testing and nipple-up/down.

"All of the above are the results of good teamwork, commitment and planning by the BBLT teams," said Rune Lorentzen, President for Platform Drilling Operations.

Congratulations and well done.

KCA Deutag secures contract extensions in the UK sector

International drilling contractor KCA Deutag has signed significant drilling operations and maintenance contracts extensions for work in the UK with CNRi and EnQuest.

The first is a five year extension to its platform drilling and completion services contract with CNRi for the Ninian North Platform, South and Central Platforms, the Murchison Platform and the Tiffany Platform in the North Sea. The original contract was signed in early 2010.

The second is a four year extension to its drilling operations and maintenance contract with EnQuest for the Heather and Thistle platforms.

Rune Lorentzen, KCA Deutag's President for Platforms, said: "We have a very strong presence in the North Sea and it is great to see that this is continuing. The North Sea is an incredibly important region for the oil industry. By winning these contracts we maintain our existing footprint and extend our visibility across the international market place and locally within Aberdeen's oil and gas community.

"These extensions with EnQuest and CNRi represent a high proportion of our UK client base. They clearly reflect the confidence clients have in KCA Deutag and our ability to continue delivering the high levels of operational and safety performance in the UK Continental Shelf."



PROVEN PERFORMANCE

T-47 Living Quarters demobilised after 11 years of operation

In May 2012, after 11 years of operation, the process began for the demobilisation of the living quarters block for the T-47 in Kazakhstan. Holger Egbers, Project Manager, explains what was involved.

Being the first operation of this kind in the Kashagan field, a dedicated and comprehensive safety case was put together, addressing the not only standard HSE requirements, but also hazards specific to the project.

By applying proven standards and procedures like project execution plan and risk assessments we concluded the project required precise planning for three major reasons: the predefined window for offshore activities set by the client, the limited budget stipulated in the contract 11 years ago and the fact that all lifesaving, supply and communication means would be shut down for disassembly and backload to shore.

In June 2012 a contract was signed with a local service provider. By negotiating with the subcontractor a lump sum fee and liquidated damages in case the demobilisation exceeded six weeks, the first two major risks were mitigated. The third risk was overcome by the client arranging a flotel providing communication, medical and emergency services.

After a seven day clean out the living quarters was shut down. This was followed by seven days of isolating, depressurising and decontaminating battery supplies, air conditioner and the sewage processing machinery.

Five weeks and roughly 350 lifts later, the accommodation and its auxiliaries were back loaded to 12 flat top barges.

Constant, visible and active HSE leadership by both management and supervision played a major role. The safe and efficient teamwork offshore and the co-operation between the local operations, the project team and the support functions in Aberdeen and Bad Bentheim was a remarkable success.

T47 has recently undergone its 10 yearly recertification programme and is currently on standby expecting to recommence operations in the second half of 2013.

Proven track record over 11 years

At the time of the demobilisation, the Kazakhstan Operation had worked:

- Six years on Rig T47 without High Potential Incident (over 2.7 million man-hours)
- Six years on Rig T47 without Lost time Incident (over 2.4 million man-hours)
- Three years on Rig T47 without Recordable Injury Case (over 1.5 million man-hours)
- No LTI or Recordable Incident Case reported in the Atyrau Office or Bautino Base since the commencement of operations in Kazakhstan in 2001

PROVEN PERFORMANCE

DART Training teams up with RGU

A year into the DART strategy, Phil Hassard, Global DART Operations Manager, updates Venture on what is next for the training facility in Aberdeen.

We have achieved all of our short term objectives outlined in the strategy and are now progressing with the medium term plans which will take us into 2014. This part of the strategy focuses on third party sales, opening additional facilities and completing a joint operation with the Robert Gordon University (RGU) in Aberdeen to move our DART simulator facility to the new energy centre based in the university's campus.

RGU has a long history in technical education and is regularly considered the best modern university in the UK. DART's reputation throughout the industry is as being one of the best drilling training services available, and by working with a university with the prestige of The Robert Gordon University, we are able to take the credentials of the facility up a level.

Despite being based in the energy centre, DART will still be KCA Deutag's training facility

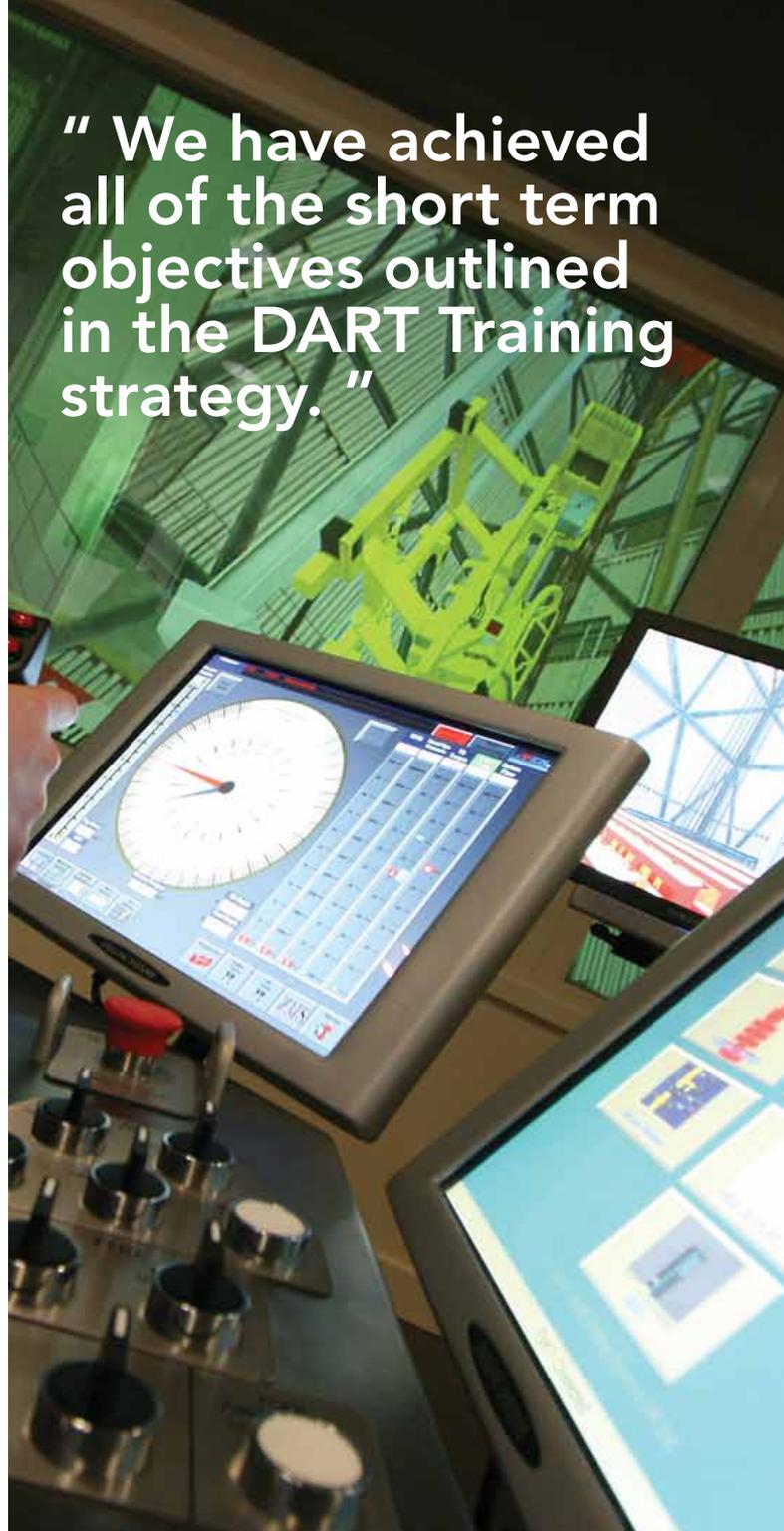
where external clients will be able to utilise the resource and be trained to our own high standards. However, when we are not training, the students, and future employees of this industry, will be given time to learn by using the simulator to gain realistic experience of drilling and not just theory.

The RGU site will feature the most up-to-date drilling software available and now includes, land rigs and semi-submersibles deep water vessels, in addition to platforms simulations for fixed platform and jack-up rigs.

While our external training will now be offsite from the Aberdeen office, internal training will remain at Minto Drive. The DART facility housed in the HQ will remain and be open for internal use, giving our people priority for training purposes.

The first year of strategy has been successful and we are where we hoped to be at this stage. By the end of the three years, we expect to be seen as the training provider of choice across the industry and be in the position to be a standalone business unit for KCA Deutag.

" We have achieved all of the short term objectives outlined in the DART Training strategy. "



DART training simulator

NEWS

Nigeria training centre gets an A



As part of KCA Deutag's commitment to ensuring the highest standards of well control issue, a DART Training Centre has been set up in Nigeria with the facilities required to provide well control training that reaches International Well Control Forum (IWCF) standards.

In February 2012, the centre was officially accredited by the IWCF.

In its first year, the centre has trained

around 100 candidates, both internal and external to KCA Deutag. As well as providing first class training for KCA Deutag employees, the centre also serves as a revenue stream for the company.

The experience that external clients have received at the centre has resulted in the facility being named the Class A centre.

PROVEN PERFORMANCE

Case Study: Combined Drilling Services

Last year, KCA Deutag signed its first integrated services contract in Russia. As a result of this contract a new Combined Drilling Services (CDS) department was created to ensure that our approach to multi-disciplinary 'turnkey' operations was managed safely and effectively.

The demand for this type of operation is increasing in areas such as Russia and the Middle East. In order for KCA Deutag to maintain its presence there, it was important that we adopted integrated well construction services into the way we work in these markets.

In December, KCA Deutag completed its first CDS project for Burneftegas (BNG) on rig T-401. The project has been considered to be very successful with all 15 S-shaped wells drilled and completed. This was also achieved 8.93 days ahead of schedule, with no LTI (lost time incidents) and no RWCs (restricted work cases).

With CDS, KCA Deutag is able to offer clients a range of services on top of drilling operations and maintenance; these include directional drilling, cementing, drilling fluids, logging, perforating, testing and drill bits.

BNG expressed full satisfaction with the performance of T-401 and its crew in terms of both the well delivery time frame and the quality and



The location where Rig T-401 has been operating in Western Siberia

safety of the process. As a result they have awarded KCA Deutag its 2013 drilling programme for another 23 wells.

In addition to this, another Russian operator has also awarded KCA Deutag a contract to drill and complete eight S-shaped wells. This contract is for all services from project management, well construction, completion and hand over to the client. KCA Deutag will also be responsible for tendering and managing all sub-contractor services, as well as sub-contracting the work over rig for completions and testing of the wells.

Now that the CDS department is established and a successful operation has been completed, KCA Deutag will be able to export this model to other areas where contracts of this nature are required.

NEWS



Senthil Baskaran and Alan Ramsay

Senthil Baskaran and Alan Ramsay recently became the first employees of KCA Deutag to complete a bespoke Chartered Institute of Purchasing and Supply (CIPS) corporate award programme for the oil and gas industry in Aberdeen.

The CIPS Corporate Award was designed to help attract and retain talent in the Global Supply Management (GSM) function. Having already recognised the need for a tailored programme to be designed for oil and gas, CIPS engaged industry leaders

GSM individuals achieve bespoke corporate award

in Aberdeen and devised a programme where practitioners collaborate to improve their skills.

Ian Anderson, Supply Manager for Central Purchasing, told Venture he has already seen tangible benefits.

"There has been improved planning and strategic thought applied to our often complex business by enhancing relationships with key stakeholders and engaging others in the GSM processes."

Both delegates worked on assignments to apply their

learning directly to achieving the objectives of their organisation, whilst also working towards an internationally recognised standard. The programme ran over an 18 month period with both achieving full professional membership status, MCIPS, the globally recognised standard in procurement and supply.

GSM in Aberdeen has identified further delegates to enrol in the programme for 2013 and is hopeful that CIPS can provide a platform in the future in which overseas employees can study for this award remotely.

Operational Integrity in KCA Deutag



April 2013 saw the oil and gas industry recognise the third anniversary of the Macondo blowout in the Gulf of Mexico. The blowout killed 11 people, caused the largest oil spill in history and destroyed the Deepwater Horizon drilling rig. The impact of this incident continues to be felt across the drilling industry. Venture asked Richard Watkiss, Head of HSSE, to explain what this meant for KCA Deutag and how we operate.

CAN YOU GIVE US A BRIEF REMINDER OF EVENTS THREE YEARS AGO?

The cause of the blowout resulted from an inadequate cement job. While suspending the deep water well, gas began bubbling out of the reservoir and up the drill pipe towards the rig. The people on-board didn't recognise what was happening in time, the gas escaped and was ignited by the rig's generators. The explosion destroyed the rig and also compromised the blowout preventer's ability to seal the well. As a result 11 lives were lost and oil continued to leak for six months, causing a slick visible from space.

WHAT STEPS DID KCA DEUTAG TAKE AT THE TIME?

We immediately took steps to confirm that our well control equipment, well control procedures and well control training were adequate across the company. Our DART well control trainers also started working with the IWCF to make sure that any upgrades to well control training could be immediately incorporated into our in-house courses.

WHAT APPROACHES ARE BEING ADOPTED ACROSS THE INDUSTRY AS A RESULT OF MACONDO?

I would say that there are a number of complementary approaches. One has been the response side, with a huge effort from major operators on specialist equipment and plans to cap wells and contain and recover spilled oil if there is a similar event in future. Another has been on improving the training and confirming the competence of people with responsibility for well control. There's also been an increasing focus on process safety.

WHAT DO YOU MEAN BY "PROCESS SAFETY"?

It's a term generally used to describe the safety of a production process. For the oil and gas industry that has meant the safe design, operation and maintenance of refineries and production plants – in other words, keeping the bad stuff inside the pipes. That's now being applied to well operations; there's a great quote from Shell saying that wells process safety is all about "keeping the hydrocarbon in the pipe, the well or the reservoir".

WHAT IS KCA DEUTAG'S APPROACH TO "PROCESS SAFETY", AND WHY?

We've expanded things slightly into what we're calling "operational integrity". Macondo was clearly a huge event related to well control but in the past there have been major accidents caused by the structural collapse of rigs or heavy lifts that have gone wrong. We can't afford to ignore these, and so for these major accident hazards we'll be making sure that we have the necessary safety critical controls built into our operations management and technical integrity management of equipment and maintenance.

THAT SOUNDS LIKE MANY OF THE THINGS THAT KCA DEUTAG ALREADY DOES. WHAT MAKES IT DIFFERENT THIS TIME?

It's true we have many of the controls in place. As well as three years since Macondo this year is also the 25th anniversary of the Piper Alpha disaster. As a UK-based company we've always been heavily influenced by the precautions that were put in place years ago to prevent another Piper. This time it's about confirming 100% that all the controls are properly lined up and are working as well as we believe they are.

IS THERE ANYTHING ELSE YOU'D LIKE TO SAY?

Many of the causes of Macondo were the result of flawed decisions by people who never believed anything bad was going to happen. There is a short book about Macondo called "Disastrous Decisions" by a man called Andrew Hopkins which I'd urge every Rig Manager, Country Manager and HSE Manager to read. Everybody naturally thinks that bad things happen to other people – but it might happen to us unless we make absolutely sure we're safe.

2013 HSSET Forum

Between the 25th and 28th of February 2013, 47 attendees from 16 countries gathered in a sunny but chilly Aberdeen for the annual global HSSE and Training and Development forum. This event gathers together HSSE and Training and Development personnel from across KCA Deutag's operations, from rig level to senior function managers to technical specialists. Held at the start of the year it is an opportunity to focus work efforts on the company's plans for the year ahead. Richard Watkiss, Head of HSSE, tells Venture how the forum went.

There was a three day agenda for the whole team, preceded by a day for Business Unit teams to work on issues that were specific to their unit.

One of the presentations looked

at operational integrity and process safety. Clear parallels can be drawn between design, maintenance, operations and competence failures in disasters like the Titanic and Chernobyl and some of the challenges KCA Deutag face in designing, operating and crewing rigs in the drilling industry - the Macondo blowout is a relevant example. Attention to detail at every step of a project or operation is crucial.

The group looked at the success that our Oman team have had in implementing the KCA Deutag Global Competence System. After a tough start crews now see the programme as a vital stepping stone to promotion. In Oman – as the first drilling contractor to provide such a system - it was seen as a significant differentiator. Existing clients also praised



KCA Deutag participants in the HSSET forum

the results of the system, and a competence assurance system is a basic expectation of many of the clients we want to work for. The team also looked at the need for strong and clear crisis management plans, evidence of their need clearly demonstrated drilling the In Amenas terrorist attack in Algeria, the Libya civil war in 2010 and the North Sea helicopter crash in 2009. A special award was made to Haytham Al-Maghawry, Libya's HSE representative, who had

stayed in country during the civil war at great personal risk to coordinate evacuations.

Lynne Thompson, SVP HR, was a VIP guest at some of the sessions and noted the welcoming atmosphere which she had found, commenting on the care which the team clearly showed for the people within our operations. She said: "There are clear challenges ahead but if we remember to care for our people then everything else should be easy."

Security and Crisis Response



Training drill underway in emergency response room in Aberdeen

If a major incident happened in your region, would you know what to do? Kenny Adams, Head of HSSET for Land Drilling reviews recent events and what we as a company need to do to be prepared.

Predicting when a major incident will happen is not a luxury we have. These are the types of events that will just happen and we have to do our utmost to prevent them, and when they happen, we need to react appropriately.

Corporate, regional and country operations must have a Crisis Management Plan for the type of threats faced in that area. These plans should relate to the health and safety of all KCA Deutag personnel, on-going operations in that country, our assets and our reputation.

Having procedures in place isn't enough. Staff have to be trained on what to do and what will be expected of them. A practice run will give you the basic tools you require to react effectively and efficiently to a situation. Experience is the best learning tool for an emergency situation. The safety and security of KCA Deutag personnel is always our first priority. Some lessons learned from past experiences are:

- Team work is the key to success
- Good communication between all parties is essential
- Consider all possible scenarios and take suitable precautions
- Review documentation regularly
- Share knowledge and experience with all of your team

Haytham's experience

At the time of the Libyan Civil War, Haytham Al Maghawry was an HSE Advisor on Rig 32. When trouble erupted, he played a major part in evacuating our employees from the country. Below is an account of his involvement.

At around 02:00hrs a large truck came to our rig with around 30 Anti-Gaddafi fighters. They were angry and behaving in an aggressive manner. The rig team gave them whatever they requested and they left. We swiftly established communication between the rig site and management at Tripoli base updating them on what happened. An evacuation plan was created to move everybody to Tripoli, utilising vehicles in the area as all ours had been taken. I arranged the vehicles and ensured that all of us moved

safely and nobody was left behind.

Due to all phone services being blocked we spent two nights in the desert as we were unable to meet the vehicles which were sent from Tripoli to the pre-arranged meeting point.

Three days after the start of the uprising we arrived in Tripoli. I was assigned to the Libya Crisis Management Team as the Operations Manager's deputy to support the evacuation.

"We had 278 expats to evacuate and approximately 600 national local employees to relocate to their homes and families.

"Five external hard drives were purchased to backup all our business operations files and these



Richard Watkiss, Haytham Al Maghawry and Kenny Adams

were sent to Aberdeen.

"I spent 13 days in the office ensuring all expats were evacuated and rigs were secured by our sub-contractors.

"Once all our employees had been evacuated, I left Tripoli for my home town near Waddan to help my wife and children make the safe passage to Egypt.

CASE STUDY



Oman Global Competence System

The new Global Competence System is continuing its roll out across KCA Deutag, with Oman becoming the latest region to adopt it.

Competent employees must be able to demonstrate the ability to complete the tasks associated with their job in a safe and timely manner. For those who work on our rigs, this is especially important. As a company we need to be able to demonstrate that each member of our crews are working in accordance with our World Wide Standard.

As such, KCA Deutag adopted a Global Competence System based on knowledge, skills and

abilities for all crew members to abide by while doing their job.

In Oman, the initial roll out began in January 2010 when the assessors were subject to computer based training. In March 2011, the crew received the new log books to track their progress. However, progress was slow for a number of reasons; the assessors took longer than expected to complete the computer based training and there was resistance from the crew having to take on additional paperwork. Their perception of the system was also initially negative. At this time, we realised that we had seriously underestimated

the task and overestimated our readiness to adopt the system within the target timeframe. To overcome this we decided to visit each rig on a weekly basis to encourage the assessors to take ownership and be responsible for driving the initiative forward to achieve the overall objectives.

By observing the crew at work we were clearly able to identify the level of skill set and what could be improved. We created a competence culture helping employees understand how and why they should go about a given task. The crew were split into groups based on their competence

level and each group took part in tailored discussions and workshops that would be of the most benefit to them.

Throughout the process, sincere and honest praise was given to the crew so that they understood that the effort they were putting in was being acknowledged and appreciated.

By taking the time and effort to really focus on the Global Competence System, Oman has become the first region to adopt the system and during our last client audit, the team gain recognition regarding the positive outcome and progress of implementations.

UPDATE

TRUST



SAFETY



PERFORMANCE



QUALITY



TECHNICAL



GLOBAL



The KCA Deutag Brand

The brand guidelines are an integral part of how we present the organisation and its values. Branding is key to define who KCA Deutag is as a company, to convey what we believe in, and the standards we work to.

KCA Deutag has invested in refreshing the brand to ensure it represents the promise we make to our clients and ourselves. It represents an overarching vision of everything we deliver and the way we deliver it.

We believe it is time to shout about what we do and we need your help to do this. All projects that are produced within KCA Deutag must

be carried out within the boundaries of our brand guidelines. All the best brand strategies in the world will not succeed unless all company employees believe in the brand and it is applied consistently throughout the business.

Through the role out of the brand refresh and beyond, the Marketing and Communications department is always available for support.

To make your life easier a brand toolkit containing templates covering a full range of printed materials has been compiled and can be found on Kompas at: kompas.kcadeutag.com/brandtoolkit

UPDATE

Integrated Management Systems (IMS) in KCA Deutag

KCA Deutag has embarked on the implementation of an Integrated Management System (IMS) Project to deliver increased visibility of all KCA Deutag processes and identify where functional interaction exists. This project will provide an opportunity to identify any gaps in the way processes are undertaken to complete a specific task.

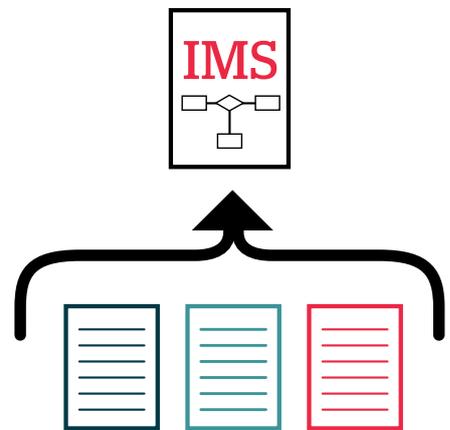
IMS aims to eliminate activity duplication as well as removal of unnecessary

documentation within KOMS. IMS will not replace KOMS, but will be supported by it. All existing documentation will still be held within KOMS and access and navigation will not be affected. IMS will provide an overall view of all key processes within KCA Deutag and links to the relevant documents within each of the processes.

Though no input is required from country or rig level, the benefits of the project are focused on delivering a streamlined process and a more efficient, effective way of working - the KCA Deutag Way.

Jack Winton, SVP Operations and Project Sponsor, said: "As an organisation we have to ensure all our processes are designed to support our activities at the rig site. They must provide a frame work based on our standards to allow our crews to deliver SET operations with the room to develop local procedures. This project will also assist our Step 4ward initiative to achieve its goals by providing a fit for purpose process to all business units."

The final version of the IMS project is due to go live in Q3 2013.



" The overall aim is that individual units will be empowered to take ownership of the day-to-day running of their operations."

For queries, contact:
lola.ajagbonna@kcadeutag.com

“Earning the right to GROW”



What progress has been made

We're just five months into the Business Efficiency project and already significant progress has been made.

Driven by KCA Deutag Management, the Business Efficiency project is gathering momentum as it moves into its sixth month. The respective teams are all working hard to deliver on the improvements identified throughout the business. With the project set to continue into 2014, this is a long term commitment to improve the way we do things.

The selected improvement areas; Global Supply Management (GSM), Step 4ward, Land and Combined Efficiencies, are all progressing through the detailed action plans which were outlined, with significant improvements being noted across the board.

There was an overall target set to deliver improvements to increase EBITDA by up to \$68 million per annum by the end of 2014. By the end of 2013, 40% of this figure will have been achieved, with significant levels of preparations, regarding structure, completed to enable future progress.

All of these changes have been implemented to enable us to function better as a business and make it easier for us to do our jobs. If we continue to drive the business forward and achieve all the small changes we have set out to do, we can all ensure that KCA Deutag becomes the company it aspires to be.

	<ul style="list-style-type: none"> Procurement
	<ul style="list-style-type: none"> Streamline group overheads Supply chain process and systems Put support frames closer to operations
	<ul style="list-style-type: none"> Business integration and overhead efficiency Rig labour productivity and optimisation Rig maintenance and non productive time (NPT) Rig cost control (consumables & services) Carve-outs and specific country turnarounds (Libya & Iraq)
	<ul style="list-style-type: none"> Modus: country over heads and maintenance effectiveness Platforms: labour and maintenance effectiveness RDS: staff utilisation and billability Bentec: manufacturing efficiency and productivity

“\$68m per annum of EBITDA targeted by the end of 2014.”

NEWS

New structure in place to enable growth

Step 4ward was established to create self-reliant business units and it took a step in the right direction as the new organisation structure was implemented in January 2013.

The creation of more autonomous business units has become a reality with the structure now in place. Key personnel have been relocated into the business units, strengthening the capability of each team. This is with the aim of creating a more manageable span of control and accountability for top level management, whilst providing an opportunity to strengthen on the ground management capabilities and responsibilities.

Operational and administrative support is now closer to the businesses which will ensure greater transparency and accountability. This will eliminate mutual frustrations which have existed in the past.

Land Drilling Division re-structure

The combined land business has been split into four geographical operational areas. Grouping together management and functional support will drive focus and operational excellence.

Splitting the land drilling business into the four geographical areas provides specific focus and structure, allowing for support to be aligned to match the complexity of the operation, by size and by rig count.

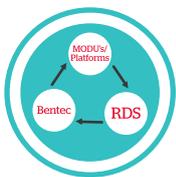
At the start of the year, the management team and organisational structure were put in place to lead the changes. This will create stronger regional management with specific functional support to drive growth.

The land business, which contains roughly half of the working population of KCA Deutag, is

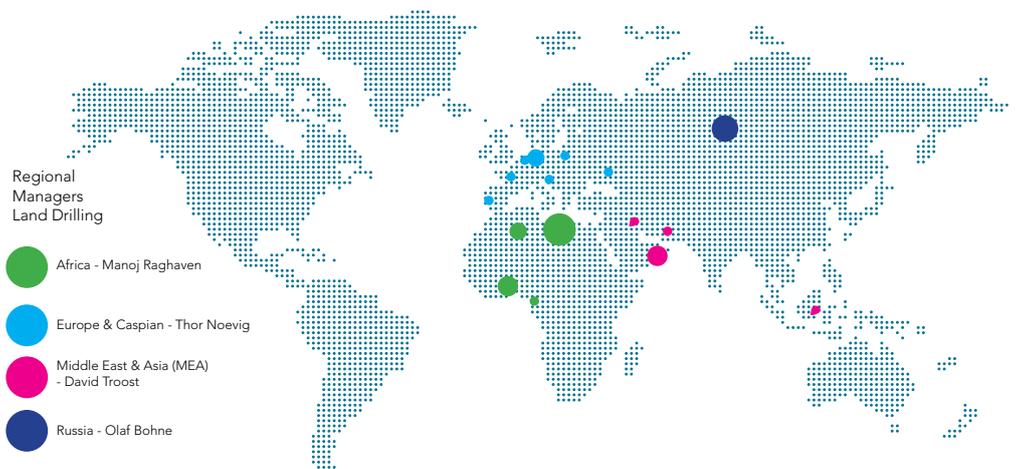
leading the way in the Business Efficiency project. Corporate overhead has been streamlined, and there has been cost improvements on rigs, specifically in Kurdistan, Algeria and Russia. The land business is driving better returns through full implementation of rig performance management and maintenance. Overall, this will improve performance by reducing high impact and costly non productive time events.

Utilising local and regional recruitment channels is another way in which the Land business is meeting its targets.

Challenging the way we have done things in the past, is enabling KCA Deutag to grow in the future. The division is on track to deliver on the projected savings of \$23 million per annum by the end of 2014.



“Challenging the way we have done things in the past, is enabling us to grow the Land business for the future”

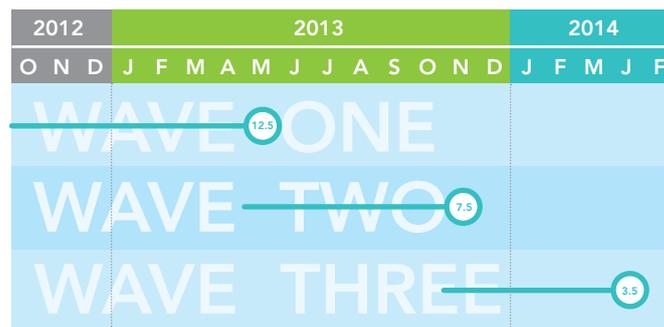


Wave 1 is now complete

Improvements to the way KCA Deutag purchase highlighted targeted savings of \$23.5 million per annum for the company. The selected improvements are being implemented in three waves, with wave one 50% completed.

With a focus on improving the procurement process, GSM is moving forward to reach their target. The two main areas of focus through wave one were procurement efficiency and master data management. Through these two areas alone, total savings of \$12.5 million will be made.

Much of this saving has come from addressing issues surrounding supplier selection through tendering for committed levels of spend. This will reduce KCA Deutag's supplier list and make



procurement more efficient. This process will reduce the lengthy process of ordering stock. Having preferred suppliers enables KCA Deutag to build relationships and enhance negotiating powers. To make it work requires the full support of the global GSM community and the country teams.

Streamlining this process ultimately leads to better stock control, and shipment planning which gives KCA Deutag

massive savings on transport costs.

Cleansing all KCA Deutag's old data through the master data management programme has resulted in the removal of 180,000 obsolete items from SAP search functionality to speed up the system.

These initiatives are aimed at improving the way the company does things and ensures a process of continuous improvement is created.

Who's overseeing the project

As the project progresses there has been a few changes to the team overseeing the work.

Kevin Marr takes on the role of Lead Project Manager and will be supported by Fiona Rouf in Finance.

Outward Bound

As patrons of the Outward Bound Trust, each year KCA Deutag supports St Machar Academy, Aberdeen, United Kingdom, by sending a group of school children to the Outward Bound centre at Loch Eil, on the west coast of Scotland. The following passage tells the story of Craig Thomson, Learning and Development Assistant, week with the Class of 2012 where he acted as mentor.

MONDAY

Upon the pupil's arrival they were split into groups. Each group was assigned a member of Outward Bound staff and a staff member from St Machar. I acted as the equivalent of a member of St Machar staff. We went off in our groups and completed team bonding exercises. At night, the kids completed the Night Line challenge – blindfolded and tied to each other, they completed an obstacle course. This task was designed to emphasise the importance of communication.

TUESDAY

Tuesday was spent walking the hills in the surrounding areas of the Outward Bound Trust. There was a point on the walk where the instructor asked the kids if they would like to go the easy way, (through some trees, sheltered from the howling winds and rain), or the hard way, (downhill through a boggy marsh, exposed to the conditions), back to the base. The kids unanimously said that



Jeremy Townshend and Craig Thomson accepting their award

they'd prefer the hard way. It was pleasing to see the kids take the opportunity to challenge themselves.

Upon returning from our walk, it was time for the famous Loch Eil Jog and Dip. Everyone ran the short distance from the base to the loch and had to jump in from the pier. The water was absolutely freezing!

WEDNESDAY

The following morning we did the tree climbing challenge. Much like the Night Line challenge, everyone was tied together and had to work together as a team to climb the tree. You could only progress higher up the tree when the person in behind you had got close enough allow enough slack on the rope.

On Wednesday night all of the kids took part in a challenge to find targets set all around the Loch Eil grounds. Each target was worth points. My group of kids came third out of 10 teams.

THURSDAY

Thursday was the last full day at Loch Eil and I had to use all of my skills to get the kids motivated for canoeing across the Loch. This was again really good fun and after a while the kids started really getting into it. The afternoon was spent on Jacobs Ladder, a nine rung ladder where steps got larger the higher it went. It relied on a large amount of teamwork from the pupils to help each other to the next level of the ladder.

FRIDAY

The kids spent Friday morning running about doing various challenges as a team as a finale across all the grounds. The teachers and I had the chance to reflect on the week that we had and the general consensus was that the week had been hard-work, challenging and most importantly enjoyable. The kids left around lunchtime and they were all really appreciative of the opportunity that KCA Deutag had given them.

In summary, the week was excellent.



The group from St Machar Academy



ACHIEVEMENT

Ivan recognised for safety effort



Ivan Grosu during the recognition ceremony

Ivan Grosu, Pipe Barn Floorman on the Piltun Platform Sakhalin, has been recognised for his contribution for safety at work recognised by Sakhalin Energy management. Ivan received the highest award given for

active participation from Sakhalin Energy CEO, Andrey Galaev. Congratulations to Ivan. The award is well deserved in demonstrating his positive approach to safe work and performing tasks The KCA Deutag Way.

Energy Efficient Driving Courses

In November 2012, the UK HSE Department organised Energy Efficient Driving sessions for all Aberdeen employees. The individual sessions compared fuel consumption before and after tuition. In some cases this equated to a saving of £250 a year, with a reduction in CO2 emissions of 434kg. Congratulations to our session winners Irene Blackhall, Vick Grant, Gregor Clunie and Lynsey Angus. Some drivers achieved a top score of 60 mpg for urban driving.



Environmental awareness is one of KCA Deutags' values

November



The Gabon crew participating in November

Nine members of the Port Gentil shipyard project team abandoned their razors in November to take part in Movember and raise vital awareness and funds for mens health including prostate and testicular cancer.

To highlight the importance of this cause, take a look at these statistics:

- One in nine men will be diagnosed with prostate cancer in their lifetime
- This year 40,000 new cases of the disease will be diagnosed in the UK
- 47% of testicular cancer cases occur in men under 35 years and over 90% occur in men under 55 years

Graham Skinner, Donny Marshall, Dave R Smith, Rob McIntosh, Campbell Croy, Jason Elliot, Andrew Towsey, Billy Stewart and Kieran Moncrieff managed to raise £1,990 for the charity. Well done.

WHERE IN THE WORLD 2013

As a global company it is important that we attend, exhibit and speak at international conventions and events to demonstrate our capabilities to current and potential clients. Here are some of the events we are looking to attend.

May 6th - 9th

Offshore Technology Conference (OTC) Houston.

Attending

Bentec exhibiting
Rodrigo Rendon, Rune Lorentzen, Bentec delegation

May 15th - 17th

9th International Geothermal Conference Freiburg Germany.

Attending

Thor Noevig

June 19th - 20th

IADC World Drilling 2013 Conference and Exhibition Istanbul Turkey.

Attending

Manoj Raghavan, Jack Winton, Thor Noevig, Rodrigo Rendon

June 19th - 20th

NOIA Conference St John Canada.

Attending

Rune Lorentzen, Ally Hogg, Tony Rodnight and Simon Drew

WHAT MAKES OUR BRAND.

Our brand values we believe in are:

TRUST

Safe, effective, trouble-free operations.



SAFETY

An incident and accident free environment is possible - 365 days a year, every year.



PERFORMANCE

Actively measuring and benchmarking performance to deliver world class service.



QUALITY

Continuous investment in our people to ensure the correct level of competence for the job.



TECHNICAL

Tackling the most challenging wells.



GLOBAL

Operating and delivering in the world's most demanding environments.



We believe in operating **The KCA Deutag Way**

The **KCA Deutag Way** defines the type of company that we are, and will continue strive to be, for the sake of our people, our clients, the environment and the societies in which we operate. It's a global message that every member of staff should believe in.

What makes up our brand reflects in the core values of the business.

Our core values; health & safety, business integrity, environmental stewardship, valuing our people and business improvement, together with our work guidelines, policies and procedures, help guide our business approach and culture. Promoting a positive, constructive and consistent KCA Deutag culture.

Health & Safety

Business Integrity

Environmental Stewardship

Valuing Our People

Business Improvement