



KCA Deutag issues Practice Statement Letter

Prior to publication, this document contained inside information under Regulation (EU) 596/2014 on market abuse

ABERDEEN, 11 September 2020 – Following the announcements made on 31 July 2020 and 17 August 2020, KCA Deutag is pleased to announce that KCA Deutag UK Finance plc (the **Scheme Company**) has today launched a scheme of arrangement (the **Scheme**) via the issuance of a practice statement letter (the **PSL**) addressed to, among others, the Scheme Creditors (as defined in the PSL).

The Scheme Company is proposing the Scheme in order to implement the proposed financial restructuring (the **Proposed Restructuring**) of the KCA Deutag group in the manner described in and contemplated by the Restructuring Term Sheets and Restructuring Steps Plan scheduled to (and each as defined in) the lock-up agreement dated 31 July 2020 (the **Lock-Up Agreement**).

The amendments set out in the fully executed supplemental indentures to each Notes Indenture (each as referenced in the announcement dated 17 August 2020) and the credit agreement amendment agreement dated 21 August 2020 are also now fully effective.

Further details regarding the Scheme and the Proposed Restructuring are contained in the PSL and in the Lock-Up Agreement. Copies of both the PSL and the Lock-Up Agreement are available at www.kcadeutag.com and www.lucid-is.com/kcadeutag. The PSL will also be made available via the Luxembourg Stock Exchange.

Scheme Creditors that have questions in relation to the PSL or the Scheme may contact Lucid Issuer Services Limited (**Lucid**) as Information Agent appointed by the Scheme Company or Allen & Overy LLP as the Scheme Company's solicitors, using the contact details below.

Any party who would like to accede to the Lock-Up Agreement should contact Lucid via email to kcadeutag@lucid-is.com and arrange the signing of an accession agreement.

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For more information, please visit our website: www.kcadeutag.com

For investor relations queries, please email: Investor.relations@kcadeutag.com

Contact details for Houlihan Lokey (financial advisor to KCA Deutag), Moelis & Company (financial advisor to the Ad Hoc Committee), Lucid (as Information Agent) and Allen & Overy LLP (as the Scheme Company's solicitors) are as follows:

Houlihan Lokey EMEA, LLP

Chris Foley

Tel: +44-20-7747-2717

Email: ProjectKelly@hl.com

Moelis & Company UK LLP

Rohan Choudhary

Tel: + 44-20-7634-3660

Email: Project_Kelly_Ext@moelis.com

Lucid Issuer Services Limited

Oliver Slyfield / Jacek Kusion

Tel: +44 207 704 0880

Email: kcadeutag@lucid-is.com

Allen & Overy LLP

Ian Field / Nick Charwood

Tel: +44 (0) 20 3088 0000

Email:

Kelly_A&O_Core_Finance_Team@AllenOvery.com

THIS LETTER REQUIRES YOUR IMMEDIATE AND URGENT ATTENTION AS IT RELATES TO A SCHEME OF ARRANGEMENT PROPOSED BY KCA DEUTAG UK FINANCE PLC WHICH WILL BE CONSIDERED BY THE COURT AT THE SCHEME CONVENING HEARING WHICH THE COMPANY ANTICIPATES WILL TAKE PLACE ON 15 OCTOBER 2020.

THE SPECIFIC DETAILS OF THE SCHEME CONVENING HEARING (INCLUDING THE DATE, TIME, LOCATION AND URL) WILL BE CONFIRMED TO ALL SCHEME CREDITORS IN THE NOTICE OF SCHEME CONVENING HEARING, WHICH WILL BE MADE AVAILABLE TO SCHEME CREDITORS VIA THE SCHEME WEBSITE.

THIS LETTER DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. NONE OF THE SECURITIES REFERRED TO IN THIS PRACTICE STATEMENT LETTER MAY BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THEY ARE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR ARE EXEMPT FROM SUCH REGISTRATION. THE SECURITIES PROPOSED TO BE ISSUED PURSUANT TO THE SCHEME WILL NOT BE, AND ARE NOT REQUIRED TO BE, REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE SEC) UNDER THE SECURITIES ACT OR THE SECURITIES LAW OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE U.S. OR, FOR CERTAIN OF THE SECURITIES TO BE ISSUED, TO U.S. PERSONS (AS DEFINED IN THE SECURITIES ACT) UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT IS AVAILABLE.

THE SCHEME CREDITORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE SCHEME, INCLUDING THE MERITS AND RISKS INVOLVED. THIS LETTER WILL NOT BE FILED WITH THE SEC AND THE SCHEME DOCUMENTS WILL NOT BE REVIEWED BY THE SEC OR ANY STATE SECURITIES AUTHORITY AND NONE OF THEM HAS OR WILL APPROVE, DISAPPROVE, PASS UPON OR ENDORSE THE MERITS OF THE SCHEME OR THE ACCURACY, ADEQUACY OR COMPLETENESS OF THIS LETTER OR THE SCHEME DOCUMENTS. IT IS UNLAWFUL TO MAKE ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

KCA Deutag UK Finance plc
1 Park Row
Leeds, LS1 5AB
United Kingdom
(Registered under the laws of England and Wales with Company Number 09015065)

PRACTICE STATEMENT LETTER

To: the Scheme Creditors (as defined below)

Copy¹: Goldman Sachs Lending Partners LLC as Term Loan Administrative Agent (as defined in paragraph 1.4 below)
200 West Street
New York, NY 10282-2198

Attention: Douglas Tansey

Copy: Lloyds Bank plc as Revolving Credit Administrative Agent (as defined in paragraph 1.4 below)
3rd Floor, New Uberior House
11 Earl Grey Street
Edinburgh, EH3 9BN

Attention: Kathryn Whitehouse

Copy: Lucid Issuer Services Limited as Information Agent (as defined in paragraph 4.6 below)
Tankerton Works
12 Argyle Walk
London
WC1H 8HA

Attention: Oliver Slyfield

11 September 2020

THIS LETTER CONCERNS MATTERS WHICH MAY AFFECT YOUR LEGAL RIGHTS AND ENTITLEMENTS AND YOU MAY THEREFORE WISH TO TAKE APPROPRIATE LEGAL ADVICE ON ITS CONTENTS.

Dear Sir/Madam,

Proposed scheme of arrangement in relation to KCA Deutag UK Finance plc (the Company) under Part 26 of the Companies Act 2006 (the Scheme)

1. PURPOSE OF THIS LETTER

1.1 The Company is sending you this letter in accordance with the Practice Statement (Companies: Schemes of Arrangement under Part 26 and Part 26A of the Companies Act 2006) issued on 26 June 2020 (the **Practice Statement**) by the Chancery Division of the High Court of Justice of England and

¹ Each person to whom this letter has been copied has been provided with a copy via email.

Wales (the **Court**) in relation to the practice to be followed in respect of a scheme of arrangement proposed between a company and its creditors. You have received this letter because we believe you are a Scheme Creditor. The purpose of this letter is to inform you of:

- (a) the Company's decision formally to propose the Scheme to the Scheme Creditors in order to implement the proposed financial restructuring of the Company's obligations to its creditors (including the Scheme Creditors) in the manner described in and contemplated by the Restructuring Term Sheets and the Restructuring Steps Plan scheduled to (and each as defined in) the Lock-up Agreement (as defined in paragraph 3.13 below) (the **Proposed Restructuring**);
- (b) the objectives which the Scheme is designed to achieve;
- (c) the Company's intention to apply to the Court to seek an order convening a meeting of the Scheme Creditors for the purpose of considering and, if thought fit, approving the Scheme;
- (d) certain jurisdictional points as regards the Scheme; and
- (e) the composition of the meeting of Scheme Creditors that the Company proposes to convene for the purposes of voting on the Scheme.

1.2 Unless defined elsewhere in this letter, defined terms in this letter have the meanings set out in the glossary contained in the Annex to this letter.

1.3 **We hereby give notice to the Scheme Creditors that the Company intends to apply to the Court for a hearing (which is anticipated to be conducted virtually) to be held on 15 October 2020 (the Scheme Convening Hearing) for an order granting the Company permission to convene the Scheme Meeting.**

1.4 The Scheme relates to:

- (a) the \$375 million 7.25% senior secured notes due 2021 (ISIN Codes: US48244LAA61 / USG5222MAA39; CUSIPs: 48244LAA6 / G5222MAA3) (the **2021 Notes**) issued by the Company pursuant to an indenture dated 16 May 2014 (as amended and supplemented, the **2021 Notes Indenture**) between, among others, the Company as issuer and Deutsche Trustee Company Limited as trustee (the **2021 Notes Trustee**);
- (b) the \$535 million 9.875% senior secured notes due 2022 (ISIN Codes: US48244LAC28 / USG5222MAB12; CUSIPs: 48244LAC2 / G5222MAB1) (the **2022 Notes**) issued by the Company pursuant to an indenture dated 5 April 2017 (as amended and supplemented, the **2022 Notes Indenture**) between, among others, the Company as issuer and the Deutsche Trustee Company Limited as trustee (the **2022 Notes Trustee**);
- (c) the \$400 million 9.625% senior secured notes due 2023 (ISIN Codes: US48244LAE83 / USG5222MAC94; CUSIPs: 48244LAE8 / G5222MAC9) (the **2023 Notes** and, together with the 2021 Notes and the 2022 Notes, the **Existing Notes**) issued by the Company pursuant to an indenture dated 9 April 2018 (as amended and supplemented, the **2023 Notes Indenture** and, together with the 2021 Notes Indenture and the 2022 Notes Indenture, the **Existing Indentures**) between, among others, the Company as issuer and Deutsche Trustee Company Limited as trustee (the **2023 Notes Trustee** and, together with the 2021 Notes Trustee and the 2022 Notes Trustee, the **Existing Trustee**);
- (d) a \$407,314,617 term loan (the **Term Loan**) borrowed by KCA Deutag GmbH (**KCAD Germany**) and made under a credit agreement dated 16 May 2014 (as amended or amended and restated from time to time, including by the Credit and Guaranty Agreement Amendment

Agreement) (the **Credit Agreement**) between, among others, KCA Deutag Alpha Limited as parent (**Alpha**), Goldman Sachs Lending Partners LLC as term loan administrative agent (the **Term Loan Administrative Agent**) and Lloyds Bank plc as revolving credit administrative agent (the **Revolving Credit Administrative Agent** and, together with the Term Loan Administrative Agent, the **Existing Administrative Agents**) with the lenders in respect of the Term Loan together being the **Term Loan Lenders**;

- (e) \$95,000,000 of drawn revolving loans (the **Revolving Loans**) originally borrowed by Abbot Group Limited (**Abbot**) and made under the Credit Agreement with the lenders in respect of the Revolving Loans together being the **Revolving Loan Lenders**; and
- (f) the Liabilities (the **Existing Overdraft Liabilities**) under a \$115,000,000 net overdraft facility (the **Existing Overdraft Facility**) made available by HSBC UK Bank plc (the **Existing Overdraft Provider** and, together with the Term Loan Lenders and the Revolving Loan Lenders, the **Credit Agreement Scheme Creditors**) as an Ancillary Facility under the Credit Agreement to certain members of the Group pursuant to an agreement dated 25 September 2018,

with the Existing Noteholders, the Existing Trustee, the Existing Custodian, the Existing Depository, the Term Loan Lenders, the Revolving Loan Lenders and the Existing Overdraft Provider together being the **Scheme Creditors**.

- 1.5 Pursuant to the terms of a guaranty agreement dated 16 May 2014 between, among others, Alpha and each Existing Administrative Agent (the **Guaranty Agreement**), the Company has guaranteed the obligations of, among others, each of KCAD Germany as primary borrower of the Term Loan, Abbot as primary borrower of the Revolving Loans and each member of the Group that has a debit balance owing in respect of the Existing Overdraft Liabilities.

2. WHAT IS A SCHEME OF ARRANGEMENT?

- 2.1 A scheme of arrangement is a statutory procedure under English law which allows a company to agree a compromise or arrangement with its creditors (or classes of creditors), and for the terms of that compromise or arrangement to bind any non-consenting or opposing minority creditors.
- 2.2 If the Court is satisfied at the convening hearing that the proposed scheme of arrangement has a prospect of being approved by creditors, and that the proposed class or classes of scheme creditors for voting purposes have been correctly constituted, the court will order the scheme meeting or meetings for the relevant classes of creditors to be convened.
- 2.3 In order to become effective, a scheme of arrangement under English law must be:
 - (a) approved by a majority in number (above 50 per cent.) representing at least 75 per cent. in value of each class of creditors present and voting (in person or by proxy) at each relevant scheme meeting;
 - (b) sanctioned by the Court (or another court of England and Wales) under section 899 of the Companies Act 2006; and
 - (c) delivered to the Registrar of Companies in England and Wales with a copy of the Court order sanctioning the scheme.
- 2.4 If a scheme of arrangement becomes effective, it will bind the relevant company and each scheme creditor according to its terms, including those scheme creditors who did not vote on the relevant scheme of arrangement or who voted against it.

3. BACKGROUND TO THE GROUP AND REASONS FOR THE SCHEME AND THE PROPOSED RESTRUCTURING

- 3.1 The Company is a public limited company incorporated and existing in accordance with the laws of England and Wales. The Company was incorporated on 28 April 2014 with registered number 09015065. The Company is an indirect subsidiary of Alpha. KCA Deutag Alpha II Limited (being the direct parent company of Alpha) and each of its direct and indirect subsidiaries together are hereinafter referred to as the **Group**.
- 3.2 The Group is a market-leading international drilling, engineering and technology company serving both onshore and offshore drilling markets. It has a vertically integrated business model, with its engineering and design expertise complementing and enhancing its drilling operations. The Group is one of the largest international land drilling contractors globally, with a highly sophisticated and flexible rig fleet, and is a leader in the design, engineering and manufacturing of premium land rigs and components. In terms of international reach, the Group focusses on geographies characterised by attractive industry dynamics (such as low breakeven oil prices, significant levels of industry consolidation and high return on capital) and operates in more than 15 countries, with a strong presence in Europe (including the North Sea), Russia (including the Caspian Sea), Africa and the Middle East.
- 3.3 As a result of concerns regarding the level of the Group's financial leverage and certain debt maturities in early 2021, the Group engaged Houlihan Lokey EMEA, LLP as financial advisor in August 2019 to assist (in conjunction with Allen & Overy LLP, the Group's longstanding legal advisors) with conducting a strategic review of its balance sheet (including the indebtedness under the Existing Notes and the Credit Agreement) and finding a comprehensive solution to the Group's capital structure. Between August 2019 and March 2020, the Group, in conjunction with its advisors and ultimate shareholders, continued to explore and progress various strategic options to address its capital structure.
- 3.4 The range of strategic options available to the Group was severely limited by the outbreak of coronavirus disease (also known as 'COVID-19' and assessed to be a pandemic by the World Health Organisation on 11 March 2020) and the reactions of government authorities to this outbreak (the **Covid-19 Pandemic**) and the reduction in the price of crude oil arising (both directly and indirectly) from actions taken in March 2020 by OPEC-Plus in connection with the pricing and level of production of crude oil (the **OPEC-related Oil Price Reduction**).
- 3.5 Examples of the direct and indirect negative impact of the Covid-19 Pandemic and the OPEC-related Oil Price Reduction on the Group's business include:
- (a) requests from the Group's customers for significant price reductions in relation to the services provided by the Group;
 - (b) the termination and/or suspension of several of the Group's contracts in connection with its land fleet;
 - (c) the resulting reclassification of many of the oil platforms operated by the Group within the UK from operating to stacking mode; and
 - (d) severe disruptions to the Group's supply chains and its workforce.
- 3.6 Despite the measures put in place by the Group to reduce the effect of these external factors on its business (including placing most of its staff on a four day week for several months and freezing all non-business critical spending), their continuing impact led to a significant deterioration in the Group's financial position (especially in relation to its short-term liquidity). Ultimately, the combined impact of the Covid-19 Pandemic and the OPEC-related Oil Price Reduction on the Group and the wider

market meant that many of the strategic options that were previously being considered by the Group in relation to its capital structure were no longer determined to be viable.

- 3.7 Furthermore, in addition to the significant short-term impact of the Covid-19 Pandemic and the OPEC-related Oil Price Reduction, the Group also determined that, given its considerable exposure to the oil and gas sector, the ongoing impact of the Covid-19 Pandemic combined with a lower demand for oil (and a corresponding drop in the price of oil) was likely to have a medium to long-term impact on its business and financial outlook.
- 3.8 In light of the situation described above, on 26 March 2020 the Group announced that it (i) was planning to utilise the applicable grace periods in relation to interest payments due on 1 April 2020 in respect of the 2022 Notes and 2023 Notes (the **April 2020 Interest Payments**) in order to give it more time to evaluate and assess the impact of the Covid-19 Pandemic and the OPEC-related Oil Price Reduction on its business and operations, and (ii) would be formally engaging with its creditors (including an ad-hoc committee (the **Ad-Hoc Committee**) of Term Loan Lenders and Existing Noteholders and the lenders (the **RCF Lenders**) (including the Revolving Loan Lenders and the Existing Overdraft Provider) under the revolving credit facility under the Credit Agreement and each of their respective advisors).

Standstill Agreement

- 3.9 Having used the applicable grace periods in respect of the April 2020 Interest Payments to further assess its financial position and potential options and following negotiations with the Ad-Hoc Committee and the RCF Lenders (and each of their respective advisors), the Group announced on 2 May 2020 that, in order to provide stability while it continued to evaluate the impact of the Covid-19 Pandemic and the OPEC-related Oil Price Reduction, it had entered into a standstill agreement (the **Standstill Agreement**) with the Ad-Hoc Committee and each of the RCF Lenders.²
- 3.10 Under the terms of the Standstill Agreement, the members of the Ad-Hoc Committee, the RCF Lenders and the other creditors party thereto agreed to standstill arrangements (including restrictions on enforcement action and forbearances in relation to specified defaults) in respect of the indebtedness under the Existing Notes and the Credit Agreement for a period (the **Standstill Period**) running from 2 May 2020 until 31 July 2020. The Group gave various undertakings under the Standstill Agreement (including in relation to the provision of financial information regarding the Group and the preparation of a proposal for the financial restructuring of the Group's balance sheet) and accepted certain restrictions on the conduct of its business. Pursuant to the terms of the Standstill Agreement, it was also agreed that the Group would not make the April 2020 Interest Payments or (subject to certain limited exceptions) any other interest or amortisation payments due under the Existing Indentures or the Credit Agreement during the Standstill Period.

Work Fee

- 3.11 As a condition precedent to the effectiveness of the Standstill Agreement, Alpha and certain other members of the Group entered into a work fee letter (the **AHC Work Fee Letter**) with certain members of the Ad-Hoc Committee on 2 May 2020 and a work fee letter (the **RCF Work Fee Letter** and, together with the **AHC Work Fee Letter**, the **Work Fee Letters**) with certain RCF Lenders on 4 May 2020. Pursuant to the Work Fee Letters, Alpha has procured the payment to:
- (a) the members of the Ad-Hoc Committee party to the AHC Work Fee Letter of work fees (the **AHC Work Fees**) of \$18,608,038 (being an amount equal to 1.75 per cent. of the face value amount of the Participating Creditor Exposure (as defined in the Standstill Agreement) held by the relevant members of the Ad-Hoc Committee as of 30 April 2020); and

² One RCF Lender acceded to the Standstill Agreement shortly thereafter, following completion of its internal credit approval process.

- (b) the RCF Lenders party to the RCF Work Fee Letter of work fees (the **RCF Work Fees** and, together with the AHC Work Fees, the **Work Fees**) of \$4,766,250.09 (being an amount equal to 1.75 per cent. of the face value amount of the Participating Creditor Exposure held by the relevant members of the relevant RCF Lenders as of 30 April 2020),

and the Work Fees paid as at the date of this letter represent the total amount of fees payable under the Work Fee Letters.

3.12 The Group considers the Work Fees to be appropriate in light of the work that:

- (a) has been undertaken by the Ad-Hoc Committee and RCF Lenders in connection with the Standstill Agreement, the Lock-up Agreement, the negotiation of the terms of the Proposed Restructuring and its implementation, including:
- (i) participating in calls and meetings with the advisors to, and representatives of, the Group;
 - (ii) reviewing, assessing and providing feedback on proposals made by the Group in connection with the Standstill Agreement, the Lock-up Agreement and the Proposed Restructuring;
 - (iii) reviewing, assessing and providing feedback on draft documentation relating to the Standstill Agreement, the Lock-up Agreement and the Proposed Restructuring;
 - (iv) working with fellow creditors and other stakeholders to build a consensus around the terms of the Proposed Restructuring; and
 - (v) liaising with current and prospective management in relation to the Proposed Restructuring; and
- (b) continues to be undertaken by the Ad-Hoc Committee and RCF Lenders to in relation to the implementation of the Proposed Restructuring.

Lock-up Agreement

3.13 On 31 July 2020, after a period of further discussions between the Group, the Ad-Hoc Committee, the RCF Lenders and certain other stakeholders (including the Group's ultimate shareholders), the Group announced that the Company and certain other members of the Group had entered into a lock-up agreement (the **Lock-up Agreement**) with each member of the Ad-Hoc Committee and certain RCF Lenders setting out the agreed commercial terms of the Proposed Restructuring. As the ultimate shareholders of the Group had, after negotiations with the Ad-Hoc Committee, agreed to support the Proposed Restructuring, KCAD Holdings I Limited (being the ultimate shareholding entity of the Group) and certain other holding companies in the Group structure entered into the Lock-up Agreement as original parties thereto.

3.14 Since the date of the Lock-up Agreement, additional creditors and certain of the ultimate shareholders of the Group have acceded to the Lock-up Agreement. As at the date of this letter:

- (a) Existing Noteholders holding 92.76 per cent. of the aggregate outstanding principal amount of the 2021 Notes;
- (b) Existing Noteholders holding 99.08 per cent. of the aggregate outstanding principal amount of the 2022 Notes;

- (c) Existing Noteholders holding 99.01 per cent. of the aggregate outstanding principal amount of the 2023 Notes;
- (d) Term Loan Lenders holding 92.81 per cent. of the aggregate outstanding principal amount of the Term Loan;
- (e) Revolving Loan Lenders holding 89.47 per cent. of the aggregate outstanding principal amount of the Revolving Loans; and
- (f) the Existing Overdraft Provider, the Existing LC Lender and the Existing Undertaking Lender

have executed or acceded to the Lock-up Agreement, meaning that Scheme Creditors representing 96.09 per cent. of the aggregate amount of debt under the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Facility have entered into the Lock-up Agreement.

3.15 A redacted copy of the Lock-up Agreement is available on the Group's website³ and an unredacted copy is available on the Scheme Website.

3.16 Under the Lock-up Agreement, the Company and the other parties thereto (other than the Existing Undertaking Lender) have agreed, amongst other things, that they will:

- (a) promptly take all actions required pursuant to and in accordance with Lock-up Agreement and the Restructuring Steps Plan (as defined in the Lock-up Agreement) which are necessary to facilitate, implement, consummate or otherwise give effect to all or any part of the Proposed Restructuring; and
- (b) not take, encourage, assist or support (or procure that any other person takes, encourages, assists or supports) any action which would, or would reasonably be expected to, breach or be inconsistent with the Lock-up Agreement, the Restructuring Term Sheets or the Restructuring Steps Plan (taken as a whole) or delay, impede or prevent the implementation or consummation of all or any part of the Proposed Restructuring.

3.17 Pursuant to the terms of the Lock-up Agreement, each Participating Creditor (as defined in the Lock-up Agreement) (other than the Existing Undertaking Lender) has acknowledged and submitted to the jurisdiction of the English court in respect of the Scheme and agreed that it shall enter an appearance formally in connection with the Scheme (if required by the Court or, if any creditor that is not a Participating Creditor formally objects to the Scheme, as reasonably requested by KCA Deutag Alpha II Limited) or be willing to be joined formally to the Scheme as a defendant (if required by the Court).

3.18 In accordance with the Lock-up Agreement and in order to help facilitate the Scheme, on or prior to the date of this letter:

- (a) the Company has entered into supplemental indentures (each a **Supplemental Indenture**) dated 17 August 2020 in respect of each Existing Indenture with, amongst others, the Existing Trustee and pursuant to which certain amendments were made to the terms of Existing Indentures (including the amendments referred to in paragraph 3.20 below and the amendments to section 6.01 (Events of Default) of each Existing Indenture to ensure that any step taken, or to be taken in connection with the Scheme or the Proposed Restructuring did not and will not trigger a Default or Event of Default (each as defined in each Existing Indenture));

³ <https://www.kcadeutag.com/investors/news/Documents/Cleansing%20Announcement%20Lock-up%20Agreement%20FINAL.pdf>

- (b) Alpha has entered into the Credit and Guaranty Agreement Amendment Agreement, pursuant to which certain amendments were made to the terms of the Credit Agreement and the Guaranty Agreement (including the amendments referred to in paragraph 3.21 below); and
- (c) the Company has entered into a deed pursuant to which it has undertaken in favour of:
 - (i) KCAD Germany in relation to the Term Loan;
 - (ii) Abbot in relation to the Revolving Loans; and
 - (iii) each member of the Group that had utilised the Existing Overdraft Facility (together with KCAD Germany and Abbot, the **Credit Agreement Borrowers**),

to contribute to any amounts that are paid by the Credit Agreement Borrowers towards their obligations in respect of the Term Loan, the Revolving Loans and the Existing Overdraft Facility respectively (the **Contribution Deed**).

3.19 The Contribution Deed results in the Credit Agreement Borrowers and the Company having rights of contribution against each other, and the members of the Group that are Guarantors (under and as defined in the Guaranty Agreement) and the Company also have rights of contribution against each other pursuant to the Guaranty Agreement. Therefore, the Company cannot effectively seek a release or variation of the Scheme Creditors' rights against it without also seeking to release or vary the Scheme Creditors' rights as against both the Credit Agreement Borrowers and the Guarantors.

3.20 Pursuant to the Supplemental Indentures:

- (a) each Existing Indenture, the Existing Notes and the Guarantees (as defined in each Existing Indenture) and all non-contractual obligations arising out of or in connection with them are now governed by, and shall be construed in accordance with, the laws of England and Wales; and
- (b) subject to the terms of each Existing Indenture, the courts of England and Wales now have jurisdiction to settle any disputes that arise out of or in connection with each Existing Indenture, the Existing Notes and the Guarantees, and accordingly any legal action or proceedings arising out of or in connection with each Existing Indenture, the Existing Notes and the Guarantees may be brought in such courts.

3.21 Pursuant to Credit and Guaranty Agreement Amendment Agreement:

- (a) the Credit Agreement and the Guaranty Agreement (and all non-contractual obligations arising out of or in connection with the Credit Agreement and the Guaranty Agreement) are now governed by, and shall be construed in accordance with, the laws of England and Wales; and
- (b) subject to the terms of the Credit Agreement and the Guaranty Agreement (as applicable), the courts of England and Wales now have jurisdiction to settle any disputes that arise out of or in connection with the Credit Agreement or the Guaranty Agreement, and accordingly any legal action or proceedings arising out of or in connection with the Credit Agreement or the Guaranty Agreement may be brought in such courts.

3.22 The amendments referred to in paragraphs 3.20 and 3.21 above were made to assist with the international recognition of the Scheme in the relevant jurisdictions (including certain of the jurisdictions referred to in paragraph 7 below).

Lock-up Fee

- 3.23 Pursuant to the terms of the Lock-up Agreement, on 21 August 2020 (being the date falling 15 Business Days after the Effective Date (under and as defined in the Lock-up Agreement)), Abbot procured payment to each Participating Creditor who had entered into or acceded to the Lock-up Agreement by 14 August 2020 (being the date falling 10 Business Days after the Effective Date) of a lock-up fee (the **Lock-up Fee**) in an amount equal to 0.15 per cent. of its Participating Creditor Exposure (as defined in the Lock-up Agreement) as at the date falling 10 Business Days after the Effective Date.
- 3.24 The payment of the Lock-up Fee was (and continues to be) considered by the Group to have been appropriate in order to secure early support for the Proposed Restructuring from the Group's diverse and numerous Existing Noteholders, Term Loan Lenders and RCF Lenders in order to provide the Group with a degree of commercial comfort regarding the implementation of the Proposed Restructuring. All Existing Noteholders, Term Loan Lenders and RCF Lenders had the opportunity to enter into the Lock-up Agreement within 10 Business Days of its effective date and thereby become eligible to receive the Lock-up Fee.

4. SCHEME CREDITORS

- 4.1 The Scheme Creditors in respect of the Existing Notes are the Existing Noteholders, the Existing Custodian, the Existing Depository and the Existing Trustee. However, the Existing Noteholders, as the beneficial owners of and/or the persons with the ultimate economic interest in the Existing Notes, are the persons with the "real" interest in the Scheme Claims in respect of the Existing Notes and accordingly the Existing Noteholders at the Record Time will be entitled to vote at the Scheme Meeting in respect of the Scheme. Although it is anticipated that the Existing Custodian and the Existing Depository will not (in accordance with their respective customary practices) and the Existing Trustee will agree not to (by giving an undertaking not to vote) vote at the Scheme Meeting or receive any Scheme Consideration, they remain Scheme Creditors and have been sent a copy of this letter. For the avoidance of doubt, the Account Holders are not Scheme Creditors unless and to the extent that they are the persons with the ultimate economic interest in the Existing Notes.
- 4.2 The Scheme Creditors in respect of the Term Loan are the Term Loan Lenders, the Scheme Creditors in respect of the Revolving Loans are the Revolving Loan Lenders and the Scheme Creditor in respect of the Existing Overdraft Facility is the Existing Overdraft Provider.
- 4.3 Save in relation to the Existing Custodian, the Existing Depository and the Existing Trustee, the Company is writing to you in your capacity as one or more the following:
- (a) an Existing Noteholder;
 - (b) a Term Loan Lender;
 - (c) a Revolving Loan Lender; and/or
 - (d) the Existing Overdraft Provider.
- 4.4 The Scheme will not compromise the claims under the Existing LC and Undertaking Facilities. The Liabilities under the Existing LC and Undertaking Facilities are not being included as Scheme Claims because the Liabilities under these facilities will not be compromised and will instead be consensually reinstated:
- (a) in the case of the Liabilities under the Existing LC Facility, under a new, extended and super senior facility (the **New LC Facility**) to be provided to certain members of the Group by the Existing LC Lender which will allow those members of the Group to continue to request new

letters of credit, guarantees and other relevant instruments in accordance with the terms of the New LC Facility; and

- (b) in the case of the Liabilities under the Existing Undertaking Facility, under a new super senior run-off facility (the **Run-Off Facility** and, together with the New LC Facility, the **New LC/Undertaking Facilities**) to be provided to certain members of the Group by the Existing Undertaking Lender and under which the Liabilities under the Existing Undertaking Facility will run-off during the tenor of the Run-Off Facility (which will expire on the original maturity date specified in the Existing Undertaking Facility). For the avoidance of doubt, members of the Group will not be able to request new letters of credit, guarantees or other relevant instruments under the terms of the Run-Off Facility.

4.5 The Existing LC Lender was an original party to the Lock-up Agreement and will execute an undertaking in favour of the Court and the Company pursuant to which it will undertake and agree, amongst other matters, to perform those actions which it is required to perform in accordance with the terms of the Scheme (including entering into the Restructuring Implementation Deed) and, where necessary, be bound by the terms of the Scheme as sanctioned by the Court. The Existing Undertaking Lender has also acceded to the Lock-up Agreement and will, subject to the terms of the Lock-up Agreement, take the actions which are necessary to facilitate, implement or otherwise give effect to the documentation for the Run-Off Facility.

4.6 An electronic copy of this letter is being made available on the Scheme Website to all Scheme Creditors by Lucid Issuer Services Limited in its capacity as information agent in relation to the Scheme Creditors under the Scheme (the **Information Agent**). The Information Agent will also be notifying Existing Noteholders via the Clearing Systems that an electronic copy of this letter is being made available on the Scheme Website. Additionally, this letter is being sent to the Credit Agreement Scheme Creditors via the relevant Existing Administrative Agents.

4.7 If you have or held an interest in the Existing Notes, the Term Loan or the Revolving Loans and have assigned, sold or otherwise transferred any part of your interest in the Existing Notes, the Term Loan or the Revolving Loans or intend to do so in the future, you are requested to forward a copy of this letter to the person or persons to whom you have assigned, sold or otherwise transferred such interest in the Existing Notes, the Term Loan or the Revolving Loans (as applicable). Any such holder of an interest in the Existing Notes, the Term Loan or the Revolving Loans (or person or persons to whom such interest in the Existing Notes, the Term Loan or the Revolving Loans (as applicable) are assigned, sold or otherwise transferred) at the Record Time will be a Scheme Creditor.

5. THE PURPOSE OF THE SCHEME

5.1 The purpose of the Scheme is to enable the implementation of the Proposed Restructuring in the manner described in and contemplated by the Restructuring Steps Plan and the Restructuring Term Sheets (each of which is scheduled to the Lock-up Agreement).

5.2 As a result of the Proposed Restructuring, it is anticipated that:

- (a) in return for the issuance to the Scheme Creditors of (and as a result of the release of all of the principal, accrued interest and any other claims in respect of the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Facility):
 - (i) \$500,000,000 of new 9.875% senior secured notes (the **New Notes**); and
 - (ii) ordinary shares by Jersey Newco (as defined in paragraph 6.2 below) (the **New Equity**),

the Restructured Group will have a strengthened and delevered balance sheet, with its total debt being reduced by approximately \$1.4bn (meaning it will have a pro forma net leverage of 1.4x (down from its current net leverage of 6.3x));

- (b) the Restructured Group's annual debt servicing costs will be reduced from \$155m to \$49m;
- (c) the Restructured Group will benefit from a 5 year runway to maturity of the New Notes;
- (d) the Restructured Group will have access to:
 - (i) overdraft, cash pooling and bank account facilities (the **New Cash Management Facilities**) to be made available by the Existing Overdraft Provider under a new cash management facilities agreement and certain ancillary documentation (together being the **New Cash Management Documents**) to be entered into by the Existing Overdraft Provider and certain members on the Group pursuant to the terms set out in the New Cash Management Facilities Term Sheet (as scheduled to, and defined in, the Lock-up Agreement); and
 - (ii) guarantee and letter of credit facilities through the New LC/Undertaking Facilities to be made available by the Existing LC Lender and the Existing Undertaking Lender (as applicable) pursuant to the terms set out in the New LC Facility Term Sheet (Lloyds) and the FAB LC Facility Run-Off Term Sheet (each as defined in, and scheduled to, the Lock-up Agreement); and
- (e) by receiving the New Equity, Scheme Creditors will be provided with the opportunity to benefit from the potential upside of the implementation of the Restructured Group's turnaround strategy.

5.3 If the Scheme is passed and the Proposed Restructuring is implemented, the Company anticipates that the Restructured Group will be able to repay the full amounts owing:

- (a) in respect of the New Notes under the New Notes Documents; and
- (b) under the New LC/Undertaking Facilities and the New Cash Management Facilities.

5.4 Further details of the Proposed Restructuring and the Scheme are set out in paragraph 6 below and will also be set out in the Explanatory Statement, which will be made available to Scheme Creditors shortly after the Scheme Convening Hearing (provided that the Court gives its permission to convene the Scheme Meeting).

5.5 As at the date of this letter, the Group had outstanding indebtedness under the Existing Notes and Credit Agreement of an aggregate principal amount of approximately \$1,989,714,617 (which, for the avoidance of doubt, does not include any accrued interest on such indebtedness) with events of default outstanding under both the Credit Agreement and each Existing Indenture. If the Company does not implement the Proposed Restructuring by the Long Stop Date (as defined in the Lock-up Agreement) and the requisite majorities of the Participating Creditors refuse to extend the Long Stop Date, the Lock-up Agreement will terminate. In light of the events of default outstanding under the both the Credit Agreement and each Existing Indenture, the relevant creditors thereunder would, following the termination of the Lock-up Agreement, be entitled to accelerate the indebtedness outstanding under the Credit Agreement and the Existing Indentures and instruct the security agent under the Intercreditor Agreement to enforce part or all of the Transaction Security (as defined in the Intercreditor Agreement). If the indebtedness under the Credit Agreement and the Existing Indentures was accelerated, the Company does not anticipate that the Group would be able to repay the accelerated amounts in full.

- 5.6 Additionally, the Company considers that, if it is ultimately unable to implement the Proposed Restructuring (and no immediate or short term action is taken by the creditors following any termination of the Lock-up Agreement), the most likely outcome is that there will have to be a distressed, accelerated sale of the individual business units within the Group (with any residual part of the Group and its assets entering insolvency or bankruptcy proceedings). If it is not possible to complete one or more of the business unit sales in the time available, the Company considers that it is likely that the relevant part of the Group and its assets will have to enter insolvency or bankruptcy proceedings. If it is not possible to complete any sale in the time available, the Company considers that it is likely that the entire Group and its assets will have to enter insolvency or bankruptcy proceedings.
- 5.7 The execution of any distressed sale, even on an accelerated basis, will require a sufficient number of the Group's creditors (including Scheme Creditors) to allow time for such a sale to complete and will be subject to a considerable number of consents, forbearances and waivers. In addition, the current market environment and wider economic climate may present further challenges to achieving a distressed sale of any of the Group's business units, thereby adding to the level of uncertainty and execution risk in this scenario.
- 5.8 In any of the scenarios referred to in paragraph 5.6 above, the Company considers that the Group would not be able to repay its creditors (including the Scheme Creditors) in full and the quantum and timing of any distributions to those creditors would be very uncertain.
- 5.9 Furthermore, in any of the scenarios described above or in the event that the relevant creditors under the Credit Agreement and the Existing Indentures initiated an enforcement of the Transaction Security following the termination of the Lock-up Agreement, the Group anticipates that the amounts that would be received by its creditors (including the Scheme Creditors) via insolvency or bankruptcy proceedings (with or without a distressed sale of part of the Group having occurred first) or as a consequence of any enforcement action (as applicable) would be less than the amounts such creditors would ultimately receive if the Proposed Restructuring is implemented.
- 5.10 In light of the factors set out in paragraphs 5.2 to 5.9 above, whilst no assurances can be given that (even if the Proposed Restructuring is successfully completed) the Group's business will be successful in the future, the boards of directors of both the Company and Alpha consider, on the basis of professional advice they have received (including, but not limited to, from Deloitte LLP, for the sole benefit of the Company and certain other members of Group, in relation to the estimated outcomes if the Proposed Restructuring is not implemented), that the implementation of the Proposed Restructuring is in the best interests of the relevant stakeholders taken as a whole (including the Scheme Creditors).

6. KEY TERMS OF THE PROPOSED RESTRUCTURING

- 6.1 The Proposed Restructuring will reflect the terms of the Restructuring Term Sheets and the Restructuring Steps Plan.
- 6.2 Before the Restructuring Effective Date, a new holding company structure will be established comprising a newly incorporated Jersey company (**Jersey Newco**), which will own a newly incorporated English company (**English Newco 1**), which in turn will own another newly incorporated English company (**English Newco 2**).
- 6.3 The key terms of the Proposed Restructuring provide for the following inter-conditional steps to occur on the Restructuring Effective Date:
- (a) KCA Deutag Alpha II Limited shall transfer 100 per cent. of the shares in Alpha to English Newco 2 for nominal cash consideration of US\$1 and an obligation on English Newco 2 to procure the issuance of share warrants to the existing shareholders (the **Existing**

Shareholders) of KCAD Holdings I Limited, the current ultimate parent company of the KCA Deutag group (of which the Group is a part), who are Participating Shareholders;

- (b) on behalf of all Scheme Creditors, the Company (pursuant to the authority granted in the Scheme) and other relevant parties will effect the release all of the principal, accrued interest and any other Liabilities in respect of the Scheme Claims and all of the Transaction Security. The Company shall take steps to effect the cancellation of the Existing Notes and will inform the Luxembourg Stock Exchange of such cancellation;
- (c) in consideration for the release described in paragraph (b) above:
 - (i) the Company will issue the New Notes to the Scheme Creditors with each Scheme Creditor being entitled to a pro rata amount of the New Notes reflecting the proportion of its holdings of principal and accrued interest in respect of the Scheme Claims as at the Record Time compared to the total amount of principal and accrued interest in respect of all Scheme Claims as at the Record Time; and
 - (ii) Jersey Newco will issue the New Equity to the Scheme Creditors with each Scheme Creditor being entitled to a pro rata amount of the New Equity reflecting the proportion of its holdings of principal and accrued interest in respect of the Scheme Claims as at the Record Time compared to the total amount of principal and accrued interest in respect of all Scheme Claims as at the Record Time (taking into account any shares in Jersey Newco already held by the members of the Ad-Hoc Committee that arranged for the incorporation of Jersey Newco and as calculated before the issuance of any shares in connection with the Management Equity Plan, the terms of which are still being negotiated as at the date of this letter);
- (d) the relevant members of the Group will enter into the New Cash Management Documents and agreements in connection with the New LC/Undertaking Facilities, in each case, with the Existing Overdraft Provider, the Existing LC Lender and the Existing Undertaking Lender (applicable);
- (e) on behalf of all Scheme Creditors, the Company (pursuant to the authority granted in the Scheme) together with other relevant parties will enter into the new intercreditor agreement that will regulate the ranking and priority of the New Debt (in the manner set out in the Security and Intercreditor Principles (as defined in, and scheduled to, the Lock-up Agreement));
- (f) the relevant parties (including the Scheme Creditors (acting through the Company pursuant to the authority granted in the Scheme)) will enter into a shareholders' agreement to govern the rights as between the shareholders of Jersey Newco in accordance with the terms set out in the Equity Term Sheet (as defined in, and scheduled to, the Lock-up Agreement); and
- (g) the Scheme Deed of Release will be entered into by the relevant parties including the Company (on behalf of itself and all Scheme Creditors pursuant to the authority granted in the Scheme), to effect the releases described in clause 9.2 of the Lock-up Agreement.

6.4 On the Business Day following the Restructuring Effective Date, Jersey Newco shall issue the Warrants (as defined the Lock-up Agreement) to the Existing Shareholders.

6.5 Detailed terms of the New Debt to be put in place pursuant to the Proposed Restructuring can be found in the Debt Term Sheets scheduled to (and as defined in) the Lock-up Agreement and detailed terms of the New Equity to be issued in connection with the Proposed Restructuring can be found in the Equity Term Sheet.

- 6.6 Scheme Creditors should note that the New Notes will be issued in accordance with the terms of the Restructuring Implementation Deed and subject to applicable securities laws. The New Notes will be held in Euroclear and Clearstream only. **The Company encourages Existing Noteholders holding Existing Notes through DTC to transfer their holdings to an account held with Euroclear or Clearstream prior to the Record Time in order to be in a position to receive the New Notes on the Restructuring Effective Date. For the avoidance of doubt, and irrespective of the Clearing System in which the Existing Notes are held, the consideration due to Scheme Creditors in connection with the Scheme will be allocated to or on behalf of all Scheme Creditors rateably in accordance with the terms of the Restructuring Implementation Deed.**
- 6.7 Scheme Creditors should also note that that the New Equity will not be listed on any recognised stock exchange and will not have an ISIN or CUSIP. As such, it will not be eligible for clearance in any Clearing System.

7. JURISDICTION AND EXERCISE OF JURISDICTION

7.1 The Company considers that the Court has jurisdiction to sanction the Scheme and that the Company has a sufficient connection to England and Wales for the Court to exercise its discretion to a sanction the Scheme because the Company is an English public limited company and is therefore:

- (a) liable to be wound up in England under the Insolvency Act 1986; and
- (b) subject to the jurisdiction of the Court under Part 26 of the Companies Act 2006.

7.2 Furthermore, no rule of trans-national law, including in Regulation (EU) No 1215/2012 on Jurisdiction and Recognition and Enforcement of Judgments in Civil and Commercial Matters (**Brussels (Recast) Regulations**), excludes that jurisdiction. Part II of the Brussels (Recast) Regulations requires that a person domiciled in a member state of the European Union be “sued” in the courts of that member state but that general rule is subject to certain exceptions including article 8 (which, broadly, allows persons to be sued in the courts of a member state in which a number of defendants are domiciled, if it is expedient to do so) and article 25 (which, broadly, states that where the parties to an agreement have agreed that a court or the courts of a Member State are to have jurisdiction to settle any disputes which have arisen or which may arise in connection with a particular legal relationship, that court or those courts shall have jurisdiction). The Company has concluded that, if the Brussels (Recast) Regulations was found to apply in relation to the Scheme, the Company considers that the Court would have jurisdiction in relation to the Scheme under the Brussels (Recast) Regulations because:

- (a) pursuant to article 25 of the Brussels (Recast) Regulations (and, in the case of the Existing Indentures, as a result of the amendments made by the Supplemental Agreements and, in the case of the Credit Agreement and the Guaranty Agreement, as a result of the amendments made by the Credit and Guaranty Agreement Amendment Agreement):
 - (i) each Existing Indenture, the relevant Existing Notes and the Guarantees (as defined in each Existing Indenture) and all non-contractual obligations arising out of or in connection with them are now governed by, and shall be construed in accordance with, the laws of England and Wales;
 - (ii) subject to the terms of each Existing Indenture, the courts of England and Wales now have jurisdiction to settle any disputes that arise out of or in connection with each Existing Indenture, the relevant Existing Notes and the Guarantees, and accordingly any legal action or proceedings arising out of or in connection with each Existing Indenture, the relevant Existing Notes and the Guarantees may be brought in such courts;

- (iii) the Credit Agreement and the Guaranty Agreement (and all non-contractual obligations arising out of or in connection with them) are now governed by, and shall be construed in accordance with, the laws of England and Wales;
 - (iv) subject to the terms of the Credit Agreement and the Guaranty Agreement (as applicable), the courts of England and Wales now have jurisdiction to settle any disputes that arise out of or in connection with the Credit Agreement and the Guaranty Agreement (as applicable), and accordingly any legal action or proceedings arising out of or in connection with the Credit Agreement and the Guaranty Agreement (as applicable) may be brought in such courts; and
 - (v) each Scheme Creditor who executed the Lock-up Agreement (other than the Existing Undertaking Lender) has, pursuant to clause 7.5 of the Lock-up Agreement, expressly submitted to the jurisdiction of the Court for the specific purpose of implementing the Scheme; and
- (b) pursuant to article 8 of the Brussels (Recast) Regulations, a number of the Scheme Creditors are subject to the personal jurisdiction of the Court by virtue of having their registered office, central administration or principal place of business in the jurisdiction of the Court.

7.3 As certain of the Scheme Creditors are expected to be US persons and it may be beneficial for the recognition of the Scheme in other jurisdictions, the Company intends to apply to the United States Bankruptcy Court in the Southern District of New York (the **US Bankruptcy Court**) for relief under Chapter 15 of Title 11 of the U.S. Code to give full force and effect to the Scheme in the United States (**Chapter 15 Recognition**). The Company expects to obtain an opinion from an independent expert that the Scheme would be recognised and given effect in the United States. If the Company applies for Chapter 15 Recognition, then it intends to appoint Neil Gilchrist (a director of the Company and the chief financial officer of the Group) as its foreign representative for such purpose and the application for Chapter 15 Recognition will request that the US Bankruptcy Court recognises the Scheme as a “foreign main proceeding” and grants other related relief, including recognition and enforcement of the Scheme.

7.4 The Company has also obtained:

- (a) opinions from independent experts that the Scheme is likely to be recognised and given effect in Norway and Germany, each being a jurisdiction in which the Group has material operations;
- (b) an opinion from independent experts that the Scheme may be recognised *de facto* and given effect in Oman (also being another jurisdiction in which the Group has material operations) and that in any event it is unlikely that a dissenting Scheme Creditor would be able to improve its position (relative to that of the other Scheme Creditors) before the Omani courts such as to undermine the compromise proposed in the Scheme; and
- (c) an opinion from an independent expert that the amendments made pursuant to the Credit and Guaranty Agreement Amendment Agreement and the Supplemental Indentures have been validly effected under New York law.

7.5 The Company also expects to obtain an opinion from an independent expert that the Scheme is likely to be given effect in Russia (being another jurisdiction in which the Group has material operations).

7.6 In light of the factors set out above, the Company considers that the Court has jurisdiction to sanction the Scheme.

8. THE SCHEME CONVENING HEARING

- 8.1 As noted above, the Company intends to apply to the Court for permission to convene the Scheme Meeting at the Scheme Convening Hearing, currently scheduled for 15 October 2020 in the Companies Court, Royal Courts of Justice, Rolls Building, Fetter Lane, London EC4A 1NL. In light of the ongoing COVID-19 Pandemic, it is anticipated that the Scheme Convening Hearing will be conducted virtually. Scheme Creditors wishing to attend the Scheme Convening Hearing remotely are invited to contact the Information Agent using the contact details listed below at least two days in advance of the Scheme Convening Hearing to ensure that the relevant access details are provided in good time. Access details for the Scheme Convening Hearing will also be available on the Scheme Website. Alternatively, Scheme Creditors can contact the Court directly. Scheme Creditors will be notified in advance of any change to the date of the Scheme Convening Hearing through an announcement on the Scheme Website.
- 8.2 Scheme Creditors will be notified of the precise date on, and the manner in, which the Scheme Convening Hearing will take place through an announcement on the Scheme Website.
- 8.3 Any announcements to be made through the Scheme Website pursuant to paragraphs 8.1 and 8.2 above will also be notified to:
- (a) Existing Noteholders via the Clearing Systems and the Luxembourg Stock Exchange; and
 - (b) the Credit Agreement Scheme Creditors by the relevant Existing Administrative Agent.

9. WHO WILL BE AFFECTED BY THE SCHEME?

The Scheme will affect all Existing Noteholders, the Existing Custodian, the Existing Depositary, the Existing Trustee, the Term Loan Lenders, the Revolving Loan Lenders and the Existing Overdraft Provider. If the Scheme becomes effective, all Scheme Creditors (including those who do not vote in favour of the Scheme and those who do not vote at all) and their respective successors and assigns will be bound by the terms of the Scheme, along with the Company. Additionally, certain third parties have either executed or will execute undertakings in favour of the Court and the Company pursuant to which they have undertaken and agreed or will undertake and agree (as applicable), amongst other matters, to perform those actions which they are required to perform in accordance with the terms of the Scheme and, where necessary, be bound by the terms of the Scheme as sanctioned by the Court.

10. THE SCHEME MEETING AND THE PROPOSED VOTING CLASS

- 10.1 Under the terms of the Practice Statement, it is the responsibility of the Company to formulate the class or classes of creditors for the purpose of convening meetings to consider and, if thought fit, approve the Scheme.
- 10.2 If the rights of creditors are so different or would be affected so differently by the Scheme as to make it impossible for them to consult together with a view to their common interest, they must be divided into separate classes and a separate meeting must be held for each class of creditor.
- 10.3 The Company has considered the existing and prospective rights of the Scheme Creditors against the Company in the absence of the Scheme and the rights of the Scheme Creditors under the proposed Scheme. Having taken legal advice (privilege in respect of which has not been waived) and considered these rights, the Company has concluded that it is appropriate that the Scheme Creditors vote in a single class meeting and there will therefore be one Scheme Meeting.
- 10.4 The Company has placed particular reliance on the matters set out below when reaching the conclusion that it is appropriate for the Scheme Creditors to vote at a single meeting.

The existing rights of the Scheme Creditors against the Company

- 10.5 The Company considers that the existing rights of the Scheme Creditors against the Company are not so dissimilar as to make it impossible for them to consult together with a view to a common interest as:
- (a) under the Intercreditor Agreement, which governs the relationship between, amongst others, the Scheme Creditors, the Liabilities in respect of the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Facility all rank *pari passu* amongst each other;
 - (b) the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Facility all benefit from the same security and guarantee package;
 - (c) the outstanding events of default under each Existing Indenture and the Credit Agreement mean that each series of Existing Notes and each of the facilities under the Credit Agreement is capable of acceleration and the security under the Intercreditor Agreement is capable of enforcement in accordance with the terms of the Intercreditor Agreement, in each case but for the terms of the Lock-up Agreement;
 - (d) if the Company was to enter into an insolvency or bankruptcy proceeding, each Scheme Creditor would be treated the same way when proving in the insolvency or bankruptcy;
 - (e) although there are differences between the economic terms and the maturities for the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Facility, these differences are not so substantial as to fracture the class in circumstances where the most likely alternative to the Scheme is a distressed, accelerated sale of the individual business units within the Group (with any residual part of the Group and its assets entering insolvency or bankruptcy proceedings) or, if such sales are not achievable in the time available, the entry into formal insolvency or bankruptcy proceedings of the entire Group; and
 - (f) in all the circumstances, there is more to unite than divide all of the Scheme Creditors, so to make any further classes unnecessary.

The rights of the Scheme Creditors under the Scheme

- 10.6 The rights of the Scheme Creditors under the Scheme are not such as to prevent them from consulting together with a view to a common interest because there is no different treatment of the Existing Noteholders, the Term Loan Lenders, the Revolving Loan Lenders and the Existing Overdraft Provider. In particular, each Scheme Creditor will be entitled to the same Scheme Consideration on a rateable basis.
- 10.7 The New Equity that forms part of the Scheme Consideration is described in the Equity Term Sheet. The rights conferred on each shareholder that holds the New Equity are identical, as there is a single class of shares to be allotted as part of the New Equity and the rights within that class are identical. However, certain of those rights are qualified by minimum holdings requirements. In particular, a shareholder that (with its affiliates) holds at least ten per cent. in aggregate of the New Equity is entitled to nominate directors for approval by a Major Shareholder Majority (as defined in the Equity Term Sheet) and to appoint one observer to the board. In addition, shareholders who hold less than five per cent. in aggregate of the New Equity, will not be entitled to vote (save for certain important matters, known as "Shareholder Super Reserved Matters", set out in the Equity Term Sheet, such as the alteration of the articles of association of Jersey Newco), and shareholders who hold at least one per cent. in aggregate of the New Equity following the Restructuring Effective Date will have certain information rights as more fully described in the Equity Term Sheet. The Company does not consider that these different thresholds affect the composition of classes for the Scheme Meeting,

as all relevant shareholder rights are identical and any difference in the enjoyment of those rights results from the number of shares held by a Scheme Creditor or by its affiliates.

- 10.8 Furthermore, due to the fact that Scheme Creditors may for the time being continue to trade their exposures in respect of the Existing Notes, the Term Loan and the Revolving Loans, the Company is not, as a practical matter, in a position to determine definitively which Scheme Creditors hold more than five per cent. and more than ten per cent. of the Scheme Claims either as at the date of this letter or as at the Record Time. Therefore, even if it was necessary to convene separate class meetings of Scheme Creditors based on these criteria, the Company could not confidently propose which Scheme Creditors should be placed in which class as at the relevant date.

Impact of Work Fees

- 10.9 The Company has considered whether the Work Fees give rise to any separate class issues. The Company has concluded that they do not as:
- (a) the Work Fees are *de minimis* and not material (looked at in isolation or together with the Lock-up Fee) in the context of both the total amount of the Scheme Claims and the Scheme Consideration;
 - (b) the Work Fees are not a term of the Scheme nor does the entitlement to the Work Fees arise under or in connection with the Lock-up Agreement;
 - (c) the Work Fees are not intended to induce the relevant members of the Ad-Hoc Committee or the RCF Lenders to vote in favour of the Scheme;
 - (d) the Work Fees represent payments for the work carried out by the relevant members of the Ad-Hoc Committee and the RCF Lenders in connection with negotiating and implementing the Proposed Restructuring; and
 - (e) all of the Work Fees payable pursuant to the Work Fee Letters have already been paid in full.

Impact of the Lock-up Agreement

- 10.10 The Company has considered whether the Lock-up Agreement gives rise to any separate class issues. The Company has concluded that it does not as:
- (a) the existence of the Lock-up Agreement is information available to all of the Scheme Creditors; and
 - (b) the Lock-up Agreement is open to all Scheme Creditors should they wish to accede to it.

Impact of the Lock-up Fee

- 10.11 The Company has also considered whether the Lock-up Fee gives rise to any separate class issues. The Company has concluded that it does not as:
- (a) all Scheme Creditors were given equal opportunity to accede to the Lock-up Agreement and therefore to become entitled to receive the Lock-up Fee;
 - (b) the Lock-up Fee was paid on 21 August 2020 to each Participating Creditor that was eligible to receive it;
 - (c) the Lock-up Fee is not a term of, or linked to the outcome of, the Scheme;

- (d) it is unlikely that a Scheme Creditor which considered any substantive aspect of the Scheme to be against its interest would be persuaded to vote in favour by the existence of the Lock-up Fee;
- (e) the likely alternative of a distressed, accelerated sale of the individual business units within the Group (with any residual part of the Group and its assets entering insolvency or bankruptcy proceedings) or, if such sales are not achievable in the time available, the entry into formal insolvency or bankruptcy proceedings of the entire Group would result in the Scheme Creditors suffering very significant losses compared to the proposed rights under the Scheme and in that context the Lock-up Fee is not a material factor; and
- (f) the Company considers that the quantum of the Lock-up Fee is *de minimis* in the context of the total amount of both the Scheme Claims and the Scheme Consideration.

Conclusion on class composition

- 10.12 For the reasons set out in this paragraph 10, the Company considers that the rights of the Scheme Creditors are not so dissimilar as to make it impossible for them to consult together with a view to a common interest. Rather, the Company considers that the Scheme Creditors are able to consult together, irrespective of the fact that some Scheme Creditors may hold Scheme Claims in respect of:
- (i) different series of Existing Notes;
 - (ii) the Term Loan;
 - (iii) the Revolving Loans; and/or
 - (iv) the Existing Overdraft Liabilities.
- 10.13 Accordingly, it is proposed that a single Scheme Meeting is convened for the purposes of considering and, if the Scheme Creditors think fit, approving the Scheme.

11. SCHEME CREDITOR ISSUES

- 11.1 If you disagree with the Company's proposals outlined above regarding the convening of the Scheme Meeting (including the proposed composition of the voting class) or wish to raise any other issue in relation to the constitution of the Scheme Meeting or any other matters that otherwise affect the conduct of the Scheme Meeting, you should write to Allen & Overy LLP as soon as practicable using the contact details below, in advance of the Scheme Convening Hearing, setting out your concerns. In addition, you may attend before the Court at the Scheme Convening Hearing and make any representations you wish on that subject.
- 11.2 Please note that if the Scheme is approved at the Scheme Meeting, it will still be possible for Scheme Creditors to raise objections on the question of class (as well as other matters) at a subsequent Court hearing to sanction the Scheme which is anticipated to be held on 5 November 2020. However, in that event, the Court is likely to expect Scheme Creditors to show good reason why they did not object to the constitution of the classes of Scheme Creditors at an earlier stage.

12. SCHEME WEBSITE AND SCHEME INFORMATION

- 12.1 The Information Agent has set up the Scheme Website at www.lucid-is.com/kcadeutag to disseminate information about the Scheme to Scheme Creditors and to facilitate the implementation of the Scheme. Scheme Creditors may download documents relating to the Scheme from the Scheme Website.

- 12.2 A copy of the Lock-up Agreement (which has each Restructuring Term Sheet and the Restructuring Steps Plan scheduled to it) is available to all Scheme Creditors via the Scheme Website,
- 12.3 If a Scheme Creditor encounters any technical difficulties in accessing the Lock-up Agreement or any other document via the Scheme Website or has questions of a general nature regarding the Scheme, please contact the Information Agent using the details set out in paragraph 14 below.
- 12.4 Information about the Scheme and documents relating to the Scheme will also be disseminated to the Credit Agreement Scheme Creditors via the relevant Existing Administrative Agent.

13. NEXT STEPS

- 13.1 As noted above, the Company anticipates that the Scheme Convening Hearing will take place on 15 October 2020. Scheme Creditors will be notified in advance if there is a change to the proposed date.
- 13.2 If leave to convene the Scheme Meeting is granted by the Court at the Scheme Convening Hearing, the following documents (the **Scheme Documents**) in connection with the Scheme will shortly thereafter be made available in electronic format to all Scheme Creditors by the Information Agent via the Scheme Website:
- (a) a copy of the Scheme;
 - (b) the Explanatory Statement required to be provided pursuant to section 897 of the Companies Act 2006 (which will include a notice setting out the relevant details for the Scheme Meeting and append the principal agreements (including the Restructuring Implementation Deed and other related documents that will set out the terms of the Proposed Restructuring and the New Debt)); and
 - (c) Account Holder Letters and Lender Claim Forms, including online versions thereof, for voting at the Scheme Meeting.
- 13.3 Existing Noteholders will be notified of the availability of the Scheme Documents on the Scheme Website via the Clearing Systems and the Luxembourg Stock Exchange. The Credit Agreement Scheme Creditors will be provided with copies of the Scheme Documents (or, if this is not practicable, notified of the availability of the Scheme Documents on the Scheme Website) by the relevant Existing Administrative Agents.
- 13.4 Based on the current timetable, the Scheme Documents will be uploaded to the Scheme Website on or around 16 October 2020.
- 13.5 Additionally, if leave to convene the Scheme Meeting is granted by the Court at the Scheme Convening Hearing, the proposed date on which the Scheme Meeting will be held is 30 October 2020 and, in light of the ongoing Covid-19 Pandemic, it is anticipated that the Scheme Meeting will take place via webinar using the Zoom communications platform. A Scheme Creditor wishing to attend the Scheme Meeting (via webinar) should first complete the applicable voting and proxy forms via the Scheme Website before the voting instruction deadline to be specified in the Scheme Documents (and which the Company currently anticipates will be at 5:00 pm (London time) on 28 October 2020) and, upon validation of such forms by the Information Agent, will be provided with details in order to access the Scheme Meeting if they so wish. Scheme Creditors should note that they will only be provided with access details once the Information Agent and the Company (or its advisors) are satisfied that they (or their representative) have provided evidence of their authority to represent that body corporate at the Scheme Meeting (for example, a valid power of attorney and/or board minutes).

13.6 As explained above, any failure to conclude the Proposed Restructuring is likely, in the view of the board of the Company, to require the Company and certain other members of the Group to enter into insolvency proceedings in the near future.

13.7 For this reason, all Scheme Creditors are encouraged to support, and vote in favour of, the Scheme.

14. CONTACT DETAILS AND FURTHER INFORMATION

If you have any questions in relation to this letter or the Scheme, please contact:

- (a) the Information Agent; and/or
- (b) the Company's solicitors, Allen & Overy LLP, using the contact details below:

Lucid Issuer Services Limited as the Information Agent

Tankerton Works
12 Argyle Walk
London WC1H 8HA

Email: kcadeutag@lucid-is.com
Phone: +44 (0) 20 7704 0880
Attention: Oliver Slyfield
Scheme Website: www.lucid-is.com/kcadeutag

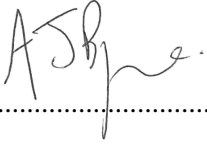
Allen & Overy LLP as the Company's solicitors

One Bishops Square
London
E1 6AD

Phone: +44 (0) 20 3088 0000
Email: Kelly_A&O_Core_Finance_Team@AllenOvery.com
Attention: Ian Field / Nick Charlwood

Yours faithfully,

[Signature page follows]

A handwritten signature in black ink, appearing to be 'A. J. P.', written over a horizontal dotted line.

Authorised signatory of the Company

ANNEX
GLOSSARY

Account Holder	means a holder of a Book-Entry Interest (including, for the avoidance of doubt, a DTC Participant).
Account Holder Letter	means the account holder letter substantially in the form to be appended to the Explanatory Statement.
Ancillary Facility	means an "Ancillary Facility" under and as defined in the Credit Agreement.
Book-Entry Interest	means, in relation to the Existing Notes, a beneficial interest in a Global Note held through or shown on, and transferred only through, records maintained in book-entry form by the Clearing Systems and their respective nominees and successors acting through themselves or the Existing Depository.
Business Day	means a day on which banks are open for business in London, Jersey, New York and Luxembourg (excluding, for the avoidance of doubt, Saturdays, Sundays and public holidays).
Clearing Systems	means DTC, Clearstream and Euroclear (as applicable).
Clearstream	means Clearstream Banking S.A.
Credit and Guaranty Agreement Amendment Agreement	means the amendment agreement dated 21 August 2020 between Alpha and each Existing Administrative Agent.
DTC	means The Depository Trust Company.
DTC Participant	means a person recorded directly in the records of Cede & Co. and DTC as holding an interest in any Existing Notes in an account held with DTC.
Euroclear	means Euroclear Bank S.A./N.V. as operator of the Euroclear clearing system.
Existing Custodian	means Cede & Co as nominee for DTC.
Existing Depository	means DTC.
Existing LC Facility	means the standby letter of credit and lender guarantee facility made available to Alpha and certain other members of the Group by the Existing LC Lender pursuant to an agreement originally dated 16 May 2014, as amended and/or amended and restated from time to time (including on 8 March 2017 and 6 September 2018), being an Ancillary Facility under the Credit Agreement.
Existing LC Lender	means Lloyds Bank plc.
Existing Noteholder	means a holder of a Book-Entry Interest in respect of the Existing Notes (including, for the avoidance of doubt, an Account Holder that has a beneficial interest in the Existing Notes).

Existing Undertaking Facility	means the custom bonds, standby letters of credit and bank guarantee facility made available to the Company and certain Group Companies by Existing Undertaking Lender pursuant to an agreement dated 26 March 2018, being an Ancillary Facility under the Credit Agreement.
Existing Undertaking Lender	means First Abu Dhabi Bank PJSC.
Existing LC and Undertaking Facilities	means: <ul style="list-style-type: none"> (a) the Existing Undertaking Facility; and (b) the Existing LC Facility.
Explanatory Statement	means the explanatory statement to be provided in connection with the Scheme.
Global Notes	means, individually and collectively, the global notes deposited with or on behalf of and registered in the name of the Existing Custodian, in the form of: <ul style="list-style-type: none"> (a) Exhibit A to the 2021 Notes Indenture (in respect of the 2021 Notes); (b) Exhibit A to the 2022 Notes Indenture (in respect of the 2022 Notes); and (c) Exhibit A to the 2023 Notes Indenture (in respect of the 2023 Notes).
Intercreditor Agreement	means intercreditor agreement originally dated 15 March 2008 (as amended and restated from time to time) between, amongst others, Alpha and the Existing Administrative Agents.
Lender Claim Form	means the lender claim form substantially in the form to be appended to the Explanatory Statement.
Liability or Liabilities	means any debt, liability or obligation of a person whether it is present, future, prospective or contingent, whether it is fixed or undetermined, whether or not it involves the payment of money or performance of an act or obligation and whether it arises at common law, in equity or by statute, in England and Wales or any other jurisdiction, or in any manner whatsoever.
Management Equity Plan	means the plan under which certain members of the management of the Group will be issued with shares in Jersey Newco.
New Debt	means the New Notes, the New LC/Undertaking Facilities and the New Cash Management Facilities.
New Notes Documents	means the documents setting out the full terms of the New Notes.
Obligor	means: <ul style="list-style-type: none"> (a) each "Guarantor" under and as defined in each Existing Indenture; and (b) each "Loan Party" under and as defined in the Credit Agreement.

OPEC-Plus	means the Organization of the Petroleum Exporting Countries plus the Russian Federation and certain other oil exporting countries.
Participating Shareholder	has the meaning given to that term in the Lock-up Agreement.
Record Time	means 5:00 pm (New York time) on 26 October 2020 (or such other time as will be set out in the Explanatory Statement).
Restructured Group	means Jersey Newco and each of its direct and indirect subsidiaries (whether directly or indirectly owned, and whether wholly or partly owned).
Restructuring Effective Date	means the date on which all the Restructuring Documents are effective and unconditional in accordance with their terms and all other conditions precedent under the Restructuring Documents have been fulfilled or waived in accordance with their terms, as notified by the Company to the relevant parties pursuant to the terms of the Restructuring Deed.
Restructuring Implementation Deed	means the restructuring implementation deed to be entered into by, amongst others, the Company (for itself and on behalf of the Scheme Creditors pursuant to the authority granted in the Scheme) and the other Obligors and setting out the steps required to implement the Proposed Restructuring.
Scheme Claim	means any claim in respect of any Liability of the Company and any other Obligor to any person arising directly or indirectly out of an interest in the Existing Notes, the Term Loan, the Revolving Loans and the Existing Overdraft Liabilities arising on or before the Record Time or which may arise after the Record Time as a result of an obligation or Liability of the Company or other Obligor incurred or as a result of an event occurring or an act done on or before the Record Time (including, for the avoidance of doubt, any interest accruing on, or accretions arising in respect of, such claims before or after the Record Time and, provided that, for the purposes of calculating the amount of any Scheme Claims as at the Record Time, any interest accruing on the date on which the Record Time occurs shall be included in the amount of such Scheme Claims), excluding, in relation to the Existing Notes, any Liability of the Company or other Obligor to the Existing Trustees under the Existing Indentures other than in respect of the covenants to repay principal and interest on the Existing Notes pursuant to the Existing Indentures.
Scheme Consideration	means the New Notes and the New Equity.
Scheme Meeting	means the meeting of the Scheme Creditors to vote on the Scheme convened pursuant to an order of the Court (and any meeting called following an adjournment).
Scheme Website	means the website set up by the Information Agent at www.lucid-is.com/kcadetag .