For immediate release	

KCA Deutag Announces First Quarter 2024 Results

- Strong first quarter results with Group Revenues of $429m, EBITDA of $106m and Operating Profit of $54m.
- YTD cash generated from operating activities was $46m with a closing cash position of $233m and net debt of $662m.
- Zero recordable incidents across all operations in March 2024.
- Outstanding integration run rate synergies of $37m at 91% of increased target.
- Significant new contracts and extensions underpinning performance and outlook.
- Robust total backlog of $5.5b, with around $400m of recent awards still to be added.

KCA Deutag Alpha Limited ("KCA Deutag" or the "Group") announced today its results for the first quarter of 2024[1]

KCA Deutag Group $m	Q1 2024	Q4 2023	Q1 2023	2024 YTD	2023 YTD
Revenue	429	438	380	429	380
Operating Profit (pre exceptional)	54	56	43	54	43
EBITDA	106	112	85	106	85
EBITDA margin	*25%*	*26%*	*22%*	*25%*	*22%*
Profit / (loss) after tax	2	(6)	(9)	2	(9)
Net cash flows from operating activities	46	117	15	46	15
Capital expenditures	(21)	(50)	(11)	(21)	(11)

[1] Profit / (loss) after tax stated before exceptional items.

Joseph Elkhoury, KCA Deutag Chief Executive Officer commented:

“The Group has continued to deliver strong results in the first quarter of 2024 building on momentum and a record performance in 2023.

We achieved zero recordable incidents across all operations in March, a first since before the acquisition of Saipem Onshore Drilling. This accomplishment is testament to the dedication and commitment of all our colleagues to #becomeoneteam and continue to prioritise safety and wellbeing above all else in line with our Culture of Care to help us #drivetozero incidents.

The combined teams are delivering outstanding synergies as we work through the remaining steps of the integration plan. On a run rate basis of $37m, we are at 91% of our increased synergy target as we continue to deliver a safe and seamless transition to all customers.

During the first quarter, the Group delivered strong results with revenue of $429m and EBITDA of $106m, compared to $380m and $85m million dollars respectively during the first quarter of 2023. This performance is in line with our expectations and the normal seasonal trends, and allows us to reaffirm our guidance for 2024 to deliver EBITDA in excess of $450m.

Year to date, we have announced over $650m of contract wins and extensions across all our business units. This includes the award of two offshore platform drilling contracts on Heidrun and Njord which will improve our market share in Norway. Once these contracts are finalised, we expect to add around an additional $400m to a robust total backlog of $5.5b.

In our pursuit of continuous learning, strategic thinking and fostering a culture of innovation, we held a workshop with Accenture and our executive team to discuss Generative AI trends and benefits. We reviewed potential internal and customer-centric use cases and how to train our people as we deploy responsible AI across the organisation.

As we monitor the global geopolitical and economic conditions, we are staying focused on what we can control and will continue to anticipate and adapt to what we cannot. Along with our advisors and Board, we are reviewing the full range of strategic options to make sure we can secure a sustainable future for the Group and create accretive value for all stakeholders, our employees, customers, shareholders, and the communities where we live and work.

I want to thank all our colleagues for their passion and contributions as we grow the company further in key markets, achieve our energy transition objectives, and maintain focus on human performance, innovation and learning as part of our WE CARE updated core values, to deliver a sustainable customer-centric and profitable business.”

Operational Review

Land Drilling

Contracted utilisation in Q1 remained strong at 62% globally, and 76% in the core Middle East region. The first of four highly automated, new build rigs commenced operations for Petroleum Development Oman ('PDO') and completed its first well in the quarter, and a rig in Colombia started operations and worked for a full quarter. These upsides were offset by a rig in Kuwait and one of our lighter rigs in Oman completing their contracts in Q1.

The second of the new build PDO rigs started operations at the start of Q2 2024 and the business unit secured contract extensions of 18 years across 5 other PDO rigs in Oman. We also secured extensions in Saudi Arabia, Bolivia and Peru.

Offshore Services

During March our long-term customer, Equinor, took up the 4-year option period on 5 existing platform contracts in the North Sea and announced an additional two years of options. Additionally, we were awarded contracts for two further platforms, Heidrun and Njord. In total this will add 28 years of firm business and 14 years of options across 7 platforms. The total value of these firm and optional periods is around $660m. The take up of the option period on the existing 5 contracts has converted backlog from options to firm, while the 2 new contracts and the additional option periods will be fully accretive to backlog.

At the end of the quarter the total number of platforms under our management in operating mode increased to 22, as the maintenance period on the platform in Canada was completed and it returned to operations.

Kenera

During Q1, Kenera has seen steady demand for its products and services across the spectrum of energy transition and traditional oil and gas. Orders have been secured for power management solutions, alongside rig components such as top drives, iron roughnecks and associated rig equipment and spare parts.

Kenera's facilities remain busy as they work on the electrification of Equinor's Askepott jack-up rig in Norway and the custom built 10.3MWh Battery Energy Storage Solution for Urenco in Germany, alongside the construction of the second two PDO new build rigs at the facility in Nizwa. An additional $45m project financing facility with Oman Arab Bank will support funding the capital expenditure on these two rigs.

Liquidity and Net Financial Debt Position

The Group had a net cash inflow of $3m in the quarter bringing the net cash position to $233m at the end of Q1. The cash inflow included further drawdowns of $3m on the project financing for the Oman newbuild rigs. As a result, the Group finished the quarter with net debt of $662m.

Business Review

Land Drilling

$m	Q1 2024	Q4 2023	Q1 2023	2024 YTD	2023 YTD
Revenue	259	253	218	259	218
EBITDA	86	87	70	86	70
EBITDA Margin	*33%*	*34%*	*32%*	*33%*	*32%*

Land Drilling EBITDA in the first quarter of 2024 was $1m lower than the previous quarter and $16m higher than the equivalent quarter in 2023. The slight reduction compared to the previous quarter is a result of lower activity in Kuwait as a rig completed its contract, partially offset by improved results in Europe, the UAE and Latin America. The result is $16m higher than the equivalent quarter in 2023 due to improved rig move revenues, higher utilisation and the inclusion of the Latin America business in Q1 2024.

Offshore Services

$m	Q1 2024	Q4 2023	Q1 2023	2024 YTD	2023 YTD
Revenue	141	155	147	141	147
EBITDA	24	27	20	24	20
EBITDA Margin	*17%*	*17%*	*14%*	*17%*	*14%*

Q1 EBITDA for Offshore Services was slightly lower than Q4 reflecting the usual seasonal reduction for this business at the beginning of the year. The result is $4m higher than the equivalent quarter in 2023 due to improved activity and performance as well as rate escalations. We expect our asset-light Offshore business to continue to perform well and deliver healthy positive cashflow to the Group as it benefits from the recently won tenders starting up in Q4 2024.

Kenera

$m	Q1 2024	Q4 2023	Q1 2023	2024 YTD	2023 YTD
Revenue (before intercompany eliminations)	33	57	18	33	18
EBITDA (before intercompany eliminations)	2	4	(0)	2	(0)
EBITDA Margin	*5%*	*6%*	*(1%)*	*5%*	*(1%)*

Kenera achieved positive EBITDA of $2m in the quarter, an improvement on the same quarter last year due to additional services activity and higher sales of top drives and other components during 2024. Q1 2024 EBITDA is $2m lower than the previous quarter as there were no rig deliveries in Q1 2024.

Saipem Acquisition

The remaining 6 rigs in Argentina, Kazakhstan and Romania will all transfer together in one final closing process once the remaining environmental license has been issued in Argentina. This final step of the acquisition has a cash consideration of $20m, subject to any working capital adjustments.

Disclaimer

Please refer to the annual audited financial statements posted on our website for further detail and information on the Group's accounting policies and risk factors.

This announcement may include forward-looking statements, which reflect the current views of the company about future events and financial performance. The use of any of the words "expects", "anticipates", "will", "should", "believes", "plans", "intends" and similar expressions are intended to identify forward-looking statements. Although the company believes that the expectations and assumptions on which such forward-looking statements are based to be reasonable, undue reliance should not be placed thereon because such statements may prove to be incorrect. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. The forward-looking statements and information contained in this announcement are made as of the date hereof and the company does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by law.

Quarterly Financial Statements

KCA Deutag Alpha Limited

For the 3 months ended 31 March 2024

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Consolidated income statement

	Note	Q1 2024 $m	Q1 2023 $m
Sales	2	429.1	380.3
Operating costs		(323.5)	(295.5)
EBITDA	2	**105.6**	**84.8**
Depreciation/Amortisation		(51.5)	(42.0)
Operating profit (pre-exceptional)		**54.1**	**42.8**
Exceptional items, net operating costs	4	(2.8)	(3.9)
Operating profit (post-exceptional)		**51.3**	**38.9**
Net finance costs	3	(39.4)	(38.6)
Profit before tax		**11.9**	**0.3**
Taxation		(12.4)	(13.1)
Loss for the quarter		**(0.5)**	**(12.8)**
Attributable to the owners of the KCAD Group		**(4.8)**	**(16.4)**
Attributable to non-controlling interests		**4.3**	**3.6**
		(0.5)	**(12.8)**

The figures included in the consolidated income statement relate to continuing operations.

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Consolidated statement of changes in shareholder's equity

	Share capital $m	Share premium $m	Retained earnings $m	Other reserves $m	Non-controlling interest $m	Total $m
At 1 January 2024	-	-	255.4	95.0	18.1	368.5
Comprehensive income (expense)						
Profit (loss) for the period	-	-	(4.8)	-	4.3	(0.5)
Other comprehensive income (expense)						
Fair value movement on cash flow hedges	-	-	-	(0.8)	-	(0.8)
Exchange differences on foreign operations	-	-	-	(3.5)	-	(3.5)
Remeasurements on defined benefit pension schemes	-	-	(1.5)	-	-	(1.5)
Remeasurements on value of investment			1.0			1.0
Total other comprehensive income (expense)	**-**	**-**	**(0.5)**	**(4.3)**	**-**	**(4.8)**
Total comprehensive income (expense)	**-**	**-**	**(5.3)**	**(4.3)**	**4.3**	**(5.3)**
At 31 March 2024	**-**	**-**	**250.1**	**90.7**	**22.4**	**363.2**
At 31 December 2023	-	-	255.4	95.0	18.1	368.5

Other reserves in the Balance Sheet consist of the hedging reserve, merger reserve, currency translation reserve and non-controlling interests.

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Consolidated balance sheet

	Note	Q1 2024 $m	Q1 2023 $m	Audited Q4 2023 $m
ASSETS				
Non-current assets				
Property, plant and equipment	6	936.1	868.3	948.3
Right of use leased asset		140.5	115.4	147.6
Goodwill		374.1	390.8	374.1
Intangible assets	7	32.4	48.8	33.9
Investments		3.7	6.3	2.7
Deferred tax assets		59.6	60.0	60.4
		1,546.9	**1,489.6**	**1,567.0**
Current assets				
Inventories and work-in-progress		198.3	186.1	193.4
Trade and other receivables	8	415.1	364.2	385.6
Amounts owed by parent company		3.3	9.5	1.8
Financial assets - derivative financial instruments		0.1	0.2	0.6
Cash at bank		232.6	182.4	230.1
		849.4	**742.4**	**811.5**
Total assets		**2,395.8**	**2,232.0**	**2,378.5**
Liabilities				
Current liabilities				
Trade and other payables	9	(430.5)	(378.4)	(413.1)
Tax liabilities		(34.0)	(27.5)	(33.0)
Financial liabilities - derivative financial instruments		(1.4)	(2.4)	(1.6)
Financial liabilities - borrowings		(3.4)	-	(3.1)
Lease liabilities - current		(59.4)	(55.2)	(60.4)
Provisions and other payables		(1.8)	(0.8)	(1.3)
		(530.5)	**(464.3)**	**(512.5)**
Non-current liabilities				
Deferred income		(6.0)	(9.8)	(6.3)
Financial liabilities - borrowings		(880.5)	(835.6)	(876.3)
Payables to parent company		(357.9)	(281.9)	(348.5)
Deferred tax liabilities		(62.2)	(57.4)	(61.8)
Retirement benefit obligations		(103.8)	(101.7)	(106.6)
Lease liabilities - non current		(89.9)	(67.5)	(96.0)
Provisions and other non-current liabilities		(1.8)	(2.0)	(2.0)
		(1,502.1)	**(1,355.9)**	**(1,497.5)**
Total liabilities		**(2,032.6)**	**(1,820.2)**	**(2,010.0)**
Net assets (liabilities)		**363.2**	**411.8**	**368.5**
Capital and reserves				
Share capital		-	-	-
Other reserves		90.7	99.9	95.0
Retained earnings surplus (deficit)		250.1	295.9	255.4
Total shareholders' surplus (deficit)		**340.8**	**395.8**	**350.4**
Equity non-controlling interest		**22.4**	**16.0**	**18.1**
Total Equity		**363.2**	**411.8**	**368.5**

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Consolidated cash flow statement

		Q1 2024 $m	Q1 2023 $m
Cash flows from operating activities			
Cash generated from operations	10	57.2	19.3
Tax paid		(11.0)	(4.8)
Net cash in flow from operating activities		**46.2**	**14.5**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(25.7)
Capital expenditure		(21.4)	(11.4)
Proceeds from sale of property, plant and equipment		(0.6)	0.3
Purchase of intangible assets		-	(0.4)
Interest received		2.0	1.5
Net cash outflow from investing activities		**(20.0)**	**(35.7)**
Cash flows from financing activities			
Drawdown of Oman debt		3.4	-
Interest paid, including capitalised interest		(6.0)	(4.5)
Lease payments		(18.9)	(16.5)
Dividend paid to minority shareholders		-	(4.1)
Net cash outflow from financing activities		**(21.5)**	**(25.1)**
Effect of foreign exchange rate changes on cash and bank overdrafts		**(2.2)**	**(2.0)**
Net cash in (out) flow		**2.5**	**(48.3)**
Cash and cash equivalents at start of period		**230.1**	**230.7**
Cash and cash equivalents at end of period		**232.6**	**182.4**

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Notes to the Quarterly Financial Statements

1. Significant Accounting Policies

1.1 COMPLIANCE WITH IAS 34

These condensed quarterly consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not contain all the disclosures required for annual financial statements and should therefore be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

1.2 BASIS OF PREPARATION

1.2.1 General principle

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

1.2.2 Accounting estimates and judgements

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

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

Actual amounts may differ from these estimates, particularly in respect of goodwill recognised as the reviews are finalised of fair values of assets and liabilities acquired as part of the Saipem transaction.

The main sources of uncertainty relating to estimates used to prepare the interim consolidated financial statements were the same as those described in the full year 2023 consolidated financial statements.

EBITDA, a non-GAAP profit measure, is used as a simple proxy for pre-tax cash flows from operating activities. It is calculated as operating profit before exceptional items, share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation.

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2. Segment reporting

	Q1 2024 $m	Q1 2023 $m
Revenues		
Land Drilling	258.5	217.6
Offshore Services	141.0	146.5
Kenera	32.8	17.6
Corporate costs/other	0.1	0.1
Elimination on consolidation	(3.3)	(1.5)
Group total	**429.1**	**380.3**
EBITDA (pre-exceptional)		
Land Drilling	86.0	70.4
Offshore Services	23.9	19.9
Kenera	1.6	(0.2)
Corporate costs/other	(5.9)	(5.3)
Group total	**105.6**	**84.8**

[1]Eliminations on consolidation principally relate to sales from Kenera to Land Drilling and to support the Group's capital expenditure programme.

3. Net finance costs

	Q1 2024 $m	Q1 2023 $m
Interest payable to immediate parent company	(9.4)	(6.0)
Interest payable on Senior Secured Notes	(25.0)	(24.4)
Less: amounts included in the cost of drilling rigs	1.0	-
Finance costs on leases	(3.5)	(2.7)
Amortisation of arrangement fees	(1.1)	(1.0)
Other finance costs	(4.0)	(3.4)
Finance costs	**(42.0)**	**(37.5)**
Finance income	2.1	1.5
Exchange gains (losses)	0.5	(2.6)
Finance costs – net, group total	**(39.4)**	**(38.6)**

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4. Exceptional items

a) Exceptional operating items from continuing operations

	Q1 2024 $m	Q1 2023 $m
Reorganisation costs [1]	(0.4)	(0.7)
Saipem integration and transaction costs [2]	(2.4)	(4.2)
Other [3]	-	1.0
Exceptional operating items	**(2.8)**	**(3.9)**
Tax effect on exceptional operating items	**-**	**-**
Exceptional operating items, net of tax	**(2.8)**	**(3.9)**

[1] Reorganisation costs primarily relate to the Group's cost reduction and restructuring expenditure along with professional fees associated with the Group's strategic activities looking at potential mergers and acquisitions.

[2] Integration and transaction costs of $2.4 million are associated with the purchase of the Saipem Onshore Drilling business.

[3] In Q1 2023 the Group recognised a gain of $1.0 million in relation to the cash generated from the sale of bonds which had gone unclaimed since the Group debt restructuring completed in 2020.

5. Reconciliation of net debt

	Q1 2024 $m	Q1 2023 $m	Audited Q4 2023 $m
Opening net debt per balance sheet	(661.4)	(619.3)	(619.3)
Net cash in (out) flow	2.5	(48.3)	(0.6)
Repayment (drawdown) of debt	(3.4)	-	(41.5)
Other non-cash movements	11.0	14.4	12.1
Closing net debt per balance sheet	**(651.3)**	**(653.2)**	**(649.3)**
Capitalised arrangement fees	(11.0)	(14.4)	(12.1)
Closing net debt	**(662.3)**	**(667.6)**	**(661.4)**

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

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6. Tangible fixed assets

	Land and buildings freehold $m	Drilling rigs and equipment $m	Plant, machinery and vehicles $m	Total Tangible fixed assets $m
Cost				
At 1 January 2024	41.5	1,968.0	88.7	2,098.2
Additions at cost	-	21.4	1.0	22.4
Exchange adjustments	(0.1)	(2.8)	(3.4)	(6.3)
At 31 March 2024	**41.4**	**1,986.6**	**86.3**	**2,114.3**
Accumulated depreciation				
At 1 January 2024	11.3	1,131.2	7.4	1,149.9
Charge for the period	0.3	33.2	0.8	34.3
Exchange adjustments	-	(1.7)	(4.3)	(6.0)
At 31 March 2024	**11.6**	**1,162.7**	**3.9**	**1,178.2**
Net carrying amount				
At 31 March 2024	**29.8**	**823.9**	**82.4**	**936.1**
Net carrying amount				
At 31 December 2023	30.2	836.8	81.3	948.3

7. Intangible assets

	Customer relationships and contracts $m	Trade name $m	Technology $m	Total $m
Cost				
At 1 January 2024	277.5	176.3	54.8	508.6
Additions	-	-	0.6	0.6
Exchange	-	-	(0.6)	(0.6)
At 31 March 2024	**277.5**	**176.3**	**54.8**	**508.6**
Accumulated amortisation				
At 1 January 2024	259.1	170.1	45.5	474.7
Charge for the period	-	1.3	0.6	1.9
Exchange	-	-	(0.4)	(0.4)
At 31 March 2024	**259.1**	**171.4**	**45.7**	**476.2**
Net carrying amount				
At 31 March 2024	**18.4**	**4.9**	**9.1**	**32.4**
Net carrying amount				
At 31 December 2023	18.4	6.2	9.3	33.9

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8. Trade and other receivables

	Q1 2024 $m	Q1 2023 $m	Audited Q4 2023 $m
Trade receivables	331.7	297.1	310.8
Other receivables	30.9	22.7	39.0
Prepayments and accrued income	40.0	28.6	20.0
Contract assets	12.5	15.8	15.8
Total	**415.1**	**364.2**	**385.6**

9. Trade and other payables

	Q1 2024 $m	Q1 2023 $m	Audited Q4 2023 $m
Trade payables	100.3	115.0	98.9
Other tax and social security	20.0	15.0	26.4
Other payables	35.0	21.1	38.5
Accruals	249.1	205.0	227.1
Payments received on account	3.3	-	3.5
Deferred income	22.8	22.3	18.7
Total	**430.5**	**378.4**	**413.1**

10. Cash generated from operating activities

	Q1 2024 $m	Q1 2023 $m
Loss for the period	(0.5)	(12.8)
Adjustments for:		
Tax charge	12.4	13.1
Depreciation[1]	49.6	40.4
Amortisation of intangible assets	1.9	1.6
Gain on sale of property, plant and equipment	-	(0.2)
Net movement in provisions, other liabilities and retirement benefit obligations	(1.2)	1.6
Net finance cost	39.4	38.6
Increase in inventories and work in progress	(4.8)	(19.1)
Increase in trade and other receivables	(31.0)	(68.4)
(Decrease) increase in trade and other payables	(6.3)	24.5
Exchange differences from operating activities	(2.3)	-
Cash generated from operating activities	**57.2**	**19.3**

[1] YTD depreciation includes $15.3m (Q1 2023 YTD $14.6m) of depreciation for right of use assets.

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11. Saipem acquisition

There have been no movements in the fair value of the identifiable assets and liabilities of the acquired Saipem group during Q1 2024.

There are 6 rigs remaining to be acquired as part of the Saipem acquisition once regulatory approvals and other local administrative processes are finalised.