For immediate release	

KCA Deutag Announces Second Quarter 2023 Results

- Second quarter Group Revenues improved to $383m with EBITDA of $89m and Operating Profit of $40m.
- YTD cash generated from operating activities was $92m helping boost the closing cash position to $202m with net debt of $663m.
- Integration project realising significant synergies as colleagues proactively collaborate to deliver a safe seamless transition to customers and #becomeoneteam.
- Renewed focus on customer centricity helping secure multiple customer commitments to key contracts and extensions in core markets across all business units.
- Total backlog of combined business remaining strong at $5.8b as at 1 August 2023.

KCA Deutag Alpha Limited ("KCA Deutag" or the "Group") announced today its results for the second quarter of 2023[1,2]

$m	Q2 2023	Q1 2023	Q2 2022	2023 YTD	2022 YTD
Revenue	383	380	252	763	489
Operating Profit (pre exceptional)	40	43	19	83	25
EBITDA	89	85	45	174	81
EBITDA margin	*23%*	*22%*	*18%*	*23%*	*17%*
Profit / (loss) after tax	(13)	(9)	12	(22)	(1)
Net cash flows from operating activities	78	15	(12)	92	4
Capital expenditures	(17)	(11)	(13)	(28)	(23)

Joseph Elkhoury, KCA Deutag Chief Executive Officer commented:

"We have effectively completed the acquisition of Saipem Onshore Drilling. This strategic transaction has significantly transformed KCA Deutag and upgraded our business. I am very grateful for the strong support we have and continue to receive from our people, customers, advisors, board, and shareholders.

[1] Reported results exclude discontinued operations
[2] Profit / (loss) after tax stated before exceptional items and commitment/ticking fees relating to the acquisition

As previously announced, 44 additional rigs were acquired in Latin America in the second quarter bringing the total number of rigs in our Land business unit to 131 with around 7,000 people in 18 countries and a strong backlog of $3.1b.

The integration is progressing well, especially in the core Middle East region where all entities are now largely embedded within the business. In Latin America, we are working with our regional leadership team to address the current local challenges and assertively manage for business performance. As we #becomeoneteam, all our colleagues remain focused on delivering a safe seamless transition to our customers and realising annual synergies of at least $31m across the combined business.

Our updated strategic tactics are helping us enable further improvements and innovation across the business to capture and deliver value to all stakeholders. In addition to playing our role in the energy transition, we established a cross-functional sustainability steering committee earlier this year to further improve our competence, policy definition, emissions management, and reporting to meet new disclosure requirements.

With our renewed focus on customer centricity, we have actively engaged several of our main customers to secure multiple commitments to key contracts and extensions across all our business units. When announced, these awards in the core Middle East region and vital Offshore markets, will add significant value to our current strong backlog of $5.8b.

During the second quarter, we have continued to improve our results and have achieved revenue of $383m and EBITDA of $89m, compared to $252m and $45m respectively during the second quarter of last year excluding discontinued operations.

Our outlook for 2023 remains positive at this time as we keep an eye on the lingering inflation and other potential economic headwinds from rising interest rates. We are staying focused on what we can control through proper cost and cash discipline, ongoing business transformation projects and collaborative efforts to deliver visible integration synergies.

We are pleased with our second quarter results and expect the combined Group to deliver a strong performance in 2023 as we benefit from our leading Middle East presence, strong offshore footprint, and access to other important legacy and energy transition markets."

Operational Review

<u>Land Drilling</u>

Land drilling includes the acquired Saipem Onshore Drilling Latin America business from 30 April 2023, further increasing our global footprint. Total rig count is now 131 rigs with around 7,000 employees in 18 countries. Utilisation was high in the core Middle East region with the rigs in Saudi Arabia and Kuwait fully utilised throughout the quarter.

The business unit has secured commitments to multiple drilling contract extensions in Saudi and Oman, which are expected to add significant value to already strong backlog. The team is also actively assessing opportunities to relocate additional rigs within the region to fulfil ongoing tenders.

Offshore Services

As previously announced, the Offshore business unit has already been awarded new contracts and extensions worth $70m for customers in the North Sea. In addition, customers in Azerbaijan and Angola have committed to two year and one year contract extensions respectively which are expected to add to the Offshore backlog.

Commissioning of the ACE platform in Azerbaijan continued during the quarter and this is still expected to commence operations later this year. The platform was recently delivered to its designated offshore location in the Caspian Sea and installed onto the jacket which is a major milestone.

Kenera

As Kenera develops additional solutions for the energy transition, it has also targeted increasing market share in the core Middle East region for the legacy oilfield products. The Dammam service centre in Saudi Arabia is now operational and is supporting the Land rig fleet and other local customers. Building on a successful agreement established last year with a customer in Saudi, commitments to additional Top Drives have been secured for a major Unconventional gas project.

Good progress continues with the manufacturing of the first two newbuild rigs in Oman. Financing of $45m was secured with a local bank on competitive terms, to support the project. The local Omani content in the construction and future operation of these rigs was pivotal in securing financing and our lender was given full access to the IDTEC facilities to showcase our presence in Oman. Revenue for the first two rigs will be recognised by Kenera on completion during the second half of 2023, with the revenue for the final two rigs now expected to flow through in 2024.

Liquidity and Net Financial Debt position

The Group had a net cash inflow of $20m in the quarter boosting the net cash position to $202m at the end of Q2. The cash inflow included the drop down into the Group of the final $50m of PIK note financing from a holding company sitting above the Group. This cash was principally utilised to fund the net payment of $38m to Saipem for the Latin America operations acquired during the quarter. In addition, we made a first drawdown of $15m on the project financing for the Oman newbuild rigs. There was also an inflow in working capital following the resolution of a customer billing system administrative issue in Q1. As a result, the Group finished the quarter with net debt of $663m.

Business Review

Land Drilling[3]

$m	Q2 2023	Q1 2023	Q2 2022	2023 YTD	2022 YTD
Revenue	225	218	97	443	185
EBITDA	70	70	27	140	50
EBITDA Margin	*31%*	*32%*	*28%*	*32%*	*27%*

[3] Revenue and EBITDA exclude discontinued operations

Land Drilling EBITDA in the second quarter of 2023 was in-line with the previous quarter and higher than the equivalent quarter in 2022. Additional contributions were provided by the inclusion of a full quarter from the Kuwait business acquired on 1 February 2023, and the addition of the Latin American business from 30 April 2023. These contributions were offset by scheduled maintenance and fewer rig moves in Saudi Arabia. Whilst the Latin America business was impacted by some customer delays and political instability in the quarter, results from the core Middle East markets remained strong.

Offshore Services[3]

$m	Q2 2023	Q1 2023	Q2 2022	2023 YTD	2022 YTD
Revenue	140	147	137	287	274
EBITDA	24	20	21	44	38
EBITDA Margin	*17%*	*14%*	*15%*	*15%*	*14%*

Offshore Services EBITDA was better than the previous quarter and the equivalent quarter in 2022. We expect our asset-light Offshore business to continue to perform well and deliver healthy positive cashflow to the Group.

Kenera[3]

$m	Q2 2023	Q1 2023	Q2 2022	2023 YTD	2022 YTD
Revenue (before intercompany eliminations)	20	18	21	38	34
EBITDA (before intercompany eliminations)	1	(0)	(0)	1	(3)
EBITDA Margin	*5%*	*-1%*	*-1%*	*2%*	*-9%*

Kenera achieved positive EBITDA of $1m, an improvement on Q1 due primarily to a one-off insurance rebate. EBITDA for the quarter was also ahead of Q2 2022. The manufacturing facilities are very busy with the new build rigs and an increasing number of component and after sales orders which will be recognised later in the year.

Saipem Acquisition

On 3 May 2023, the Group announced the completion of the acquisition of a further 44 rigs[4] from Saipem Onshore Drilling's Latin American business, with an effective date of 30 April 2023. This leaves only 6 rigs remaining to be acquired once regulatory approvals and other local administrative processes are finalised. These final steps of the acquisition have cash consideration related to them of $20m.

Cumulative negative goodwill arising on the acquisition to date totalling $26m has been credited to the Income Statement as an exceptional gain in Q2 2023.

[4] Including 17 rigs which are currently inactive in Venezuela

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.

Interim Financial Statements

KCA Deutag Alpha Limited

For the 6 months ended 30 June 2023

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Consolidated income statement

	Note	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Sales	2	763.2	488.9	382.9	252.0
Operating costs		(589.6)	(408.1)	(294.1)	(207.3)
EBITDA	2	**173.6**	**80.8**	**88.8**	**44.7**
Depreciation/Amortisation		(90.9)	(55.6)	(48.9)	(25.5)
Operating profit (pre-exceptional)		**82.7**	**25.2**	**39.9**	**19.2**
Exceptional items, net operating credits (costs)	4	15.9	(2.1)	19.8	(3.5)
Operating profit (post-exceptional)		**98.6**	**23.1**	**59.7**	**15.7**
Net finance costs	3	(85.5)	(14.1)	(46.9)	(0.7)
Profit (loss) before tax		**13.1**	**9.0**	**12.8**	**15.0**
Taxation		(18.7)	(12.4)	(5.6)	(6.7)
Profit (loss) from continuing operations		**(5.6)**	**(3.4)**	**7.2**	**8.3**
Profit (loss) from discontinued operations		**8.9**	**(88.7)**	**8.9**	**(103.6)**
Profit (loss) for the quarter		**3.3**	**(92.1)**	**16.1**	**(95.3)**
Attributable to the owners of the KCAD Group		**(4.0)**	**(98.2)**	**12.4**	**(98.6)**
Attributable to non-controlling interests		**7.3**	**6.1**	**3.7**	**3.3**
		3.3	**(92.1)**	**16.1**	**(95.3)**

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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 2023	-	-	312.4	100.6	16.4	429.4
Comprehensive income (expense)						
Profit (loss) for the period	-	-	(4.0)	-	7.3	3.3
Other comprehensive income (expense)						
Fair value movement on cash flow hedges	-	-	-	(0.2)	-	(0.2)
Exchange differences on foreign operations	-	-	-	(5.5)	-	(5.5)
Remeasurements on defined benefit pension schemes	-	-	(3.2)	-	-	(3.2)
Remeasurements on value of investment			(1.1)			(1.1)
Total other comprehensive income (expense)	**-**	**-**	**(4.3)**	**(5.7)**	**-**	**(10.0)**
Total comprehensive income (expense)	**-**	**-**	**(8.3)**	**(5.7)**	**7.3**	**(6.7)**
Transactions with owners						
Dividend to minority shareholders	-	-	(0.5)	-	(3.9)	(4.4)
At 30 June 2023	**-**	**-**	**303.6**	**94.9**	**19.8**	**418.3**
At 31 December 2022	-	-	312.4	100.6	16.4	429.4

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	Q2 2023 $m	Q2 2022 $m	Audited Q4 2022 $m
ASSETS				
Non-current assets				
Property, plant and equipment	6	928.1	398.0	841.0
Right of use leased asset		108.7	97.4	121.1
Goodwill		371.5	479.8	391.1
Intangible assets	7	37.1	14.2	49.5
Investments		5.3	9.9	6.3
Deferred tax assets		71.5	66.1	60.4
		1,522.2	**1,065.4**	**1,469.4**
Current assets				
Inventories and work-in-progress		203.4	151.4	163.4
Trade and other receivables	8	367.7	330.1	320.4
Amounts owed by parent company		9.8	4.9	3.7
Financial assets - derivative financial instruments		0.3	0.2	0.4
Cash at bank		202.1	186.3	230.7
		783.3	**672.9**	**718.6**
Total assets		**2,305.5**	**1,738.3**	**2,188.0**
Liabilities				
Current liabilities				
Trade and other payables	9	(373.9)	(268.5)	(335.4)
Tax liabilities		(27.4)	(14.6)	(21.6)
Financial liabilities - derivative financial instruments		(2.7)	-	(1.8)
Financial liabilities - borrowings		(0.6)	-	-
Lease liabilities - current		(56.4)	(39.3)	(54.0)
Provisions and other payables		(0.6)	(0.8)	(0.9)
		(461.6)	**(323.2)**	**(413.7)**
Non-current liabilities				
Deferred income		(7.9)	(13.2)	(10.2)
Financial liabilities - borrowings		(850.7)	(494.6)	(834.6)
Payables to parent company		(340.6)	-	(267.9)
Deferred tax liabilities		(60.9)	(16.4)	(55.7)
Retirement benefit obligations		(103.0)	(115.7)	(99.9)
Lease liabilities - non current		(60.6)	(66.5)	(74.8)
Provisions and other non-current liabilities		(1.9)	(1.8)	(1.8)
		(1,425.6)	**(708.2)**	**(1,344.9)**
Total liabilities		**(1,887.2)**	**(1,031.4)**	**(1,758.6)**
Net assets (liabilities)		**418.3**	**706.9**	**429.4**
Capital and reserves				
Share capital		-	-	-
Other reserves		94.9	93.8	100.6
Retained earnings surplus (deficit)		303.6	595.2	312.4
Total shareholders' surplus (deficit)		**398.5**	**689.0**	**413.0**
Equity non-controlling interest		**19.8**	**17.9**	**16.4**
Total Equity		**418.3**	**706.9**	**429.4**

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Consolidated cash flow statement

		Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Cash flows from operating activities					
Cash generated from operations	10	107.1	50.6	87.8	6.6
Tax paid		(14.8)	(18.3)	(10.0)	(10.7)
Net cash in flow from operating activities		**92.3**	**32.3**	**77.8**	**(4.1)**
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		(63.5)	-	(37.8)	-
Capital expenditure		(28.0)	(25.2)	(16.6)	(14.0)
Proceeds from sale of property, plant and equipment		0.5	17.9	0.2	0.1
Purchase of intangible assets		(1.3)	(0.9)	(0.9)	(0.8)
Acquisition of shares in an unconsolidated entity		(0.1)	(9.8)	(0.1)	-
Interest received		3.0	0.4	1.5	0.3
Net cash outflow from investing activities		**(89.4)**	**(17.6)**	**(53.7)**	**(14.4)**
Cash flows from financing activities					
New loans from Parent in respect of PIK Notes		50.0	-	50.0	-
Drawdown of Oman debt		15.2	-	15.2	-
Interest paid, including capitalised interest		(55.5)	(27.2)	(51.0)	(26.4)
Lease payments		(32.4)	(23.6)	(15.9)	(12.0)
Dividend paid to minority shareholders		(4.5)	(0.5)	(0.4)	(0.4)
Net cash outflow from financing activities		**(27.2)**	**(51.3)**	**(2.1)**	**(38.8)**
Effect of foreign exchange rate changes on cash and bank overdrafts		**(4.3)**	**4.1**	**(2.3)**	**4.2**
Net cash in (out) flow		**(28.6)**	**(32.5)**	**19.7**	**(53.1)**
Cash and cash equivalents at start of period		**230.7**	**218.8**	**182.4**	**239.4**
Cash and cash equivalents at end of period		**202.1**	**186.3**	**202.1**	**186.3**

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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 2022, 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 2022 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

	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Revenues				
Land Drilling	442.9	185.0	225.3	97.1
Offshore Services	286.5	274.2	140.0	137.2
Kenera	37.5	34.1	20.0	21.0
Corporate costs/other	0.3	0.3	0.1	0.2
Elimination on consolidation	(4.0)	(4.7)	(2.5)	(3.5)
Continuing operations	**763.2**	**488.9**	**382.9**	**252.0**
Discontinued operations	**-**	**169.1**	**-**	**85.6**
Group total	**763.2**	**658.0**	**382.9**	**337.6**
EBITDA (pre-exceptional)				
Land Drilling	139.9	50.1	69.5	26.7
Offshore Services	43.7	38.0	23.8	20.6
Kenera	0.8	(3.1)	1.0	(0.2)
Corporate costs/other	(10.8)	(4.2)	(5.5)	(2.4)
Continuing operations	**173.6**	**80.8**	**88.8**	**44.7**
Discontinued operations	**-**	**44.8**	**-**	**22.1**
Group total	**173.6**	**125.6**	**88.8**	**66.8**

[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

	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Interest payable to immediate parent company	(13.9)	-	(7.9)	-
Interest payable on Senior Secured Notes	(41.7)	(24.8)	(20.9)	(12.4)
Interest payable on revolving credit facility	(5.4)	-	(1.8)	-
Finance costs on leases	(5.8)	(5.1)	(3.1)	(2.5)
Amortisation of arrangement fees	(2.0)	(0.6)	(1.0)	(0.3)
Other finance costs	(10.2)	(1.7)	(6.8)	(0.7)
Finance costs	**(79.0)**	**(32.2)**	**(41.5)**	**(15.9)**
Finance income	2.9	0.4	1.4	0.3
Exchange gains (losses)	(9.4)	17.7	(6.8)	14.9
Finance costs – net	**(85.5)**	**(14.1)**	**(46.9)**	**(0.7)**

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4. Exceptional items

Exceptional items included in operating profit

	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Reorganisation costs [1]	(1.2)	(1.6)	(0.5)	(1.4)
Saipem integration and transaction costs [2]	(9.8)	-	(5.6)	-
Saipem goodwill release [3]	26.0	-	26.0	-
Other [4]	0.9	-	(0.1)	-
Supplier dispute [5]	-	(0.4)	-	(0.2)
IT exceptional costs [6]	-	(1.4)	-	(1.0)
Gain (loss) on disposal of Nigeria business and assets [7]	-	1.3	-	(0.9)
Exceptional operating items from continuing operations	**15.9**	**(2.1)**	**19.8**	**(3.5)**
Exceptional operating items from discontinued operations [8]	**8.9**	**(18.7)**	**8.9**	**(18.7)**
Exceptional operating items for the quarter	**24.8**	**(20.8)**	**28.7**	**(22.2)**
Tax effect on exceptional operating items	**-**	**0.1**	**0.0**	**0.1**
Exceptional operating items, net of tax	**24.8**	**(20.7)**	**28.7**	**(22.1)**

[1] Reorganisation costs primarily relate to the Group's cost reduction, restructuring, redundancy expenditure and COVID-19 expenditure along with professional fees associated with the Group's strategic activities looking at potential mergers and acquisitions.

[2] Integration and transaction costs of $9.8 million are associated with the purchase of the Saipem Onshore Drilling business.

[3] On completion of the LATAM phase of the Saipem transaction, there has been a release of $26.0 million to the Income Statement relating to negative goodwill on the combined Saipem acquisition (see Note 11).

[4] Included within other costs is a gain of $1.0 million recognised in relation to the cash generated from the sales of Senior Secured Notes which have gone unclaimed since the Group debt restructuring completed in 2020.

[5] In 2022 the Group booked an additional charge of $0.4 million in Kenera relating to a dispute with suppliers, together with certain other related costs.

[6] In 2022 a cost of $1.4 million was recorded in respect of costs involved in responding to a cyber-attack which restricted access to a number of the Group's back-office systems. These were predominantly costs involved in the restoration of system access.

[7] On 30 December 2021 the Group entered into an agreement with Geoplex Drillteq Limited to sell several rigs and associated inventory in Nigeria with the intention to exit the Nigerian land drilling business. During Q1 2022, the sale was under review by the Nigerian competition authorities. Approval for the transaction was given during March 2022. $1.3 million represents the gain on the sale of the Nigerian business and assets. The exceptional loss of $0.9 million in Q2 2022 mainly related to additional disposal costs.

[8] During Q2 2022, the Group recorded provisions against Russian Land Drilling inventory balances of $15.4 million and against an intercompany balance of $3.3 million. The $3.3 million intercompany provision was released in Q2 2023. During Q2 2023 there was also $5.6 million release of the exchange reserves in respect of the abandoned Russia business.

5. Reconciliation of net debt

	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m	Audited Q4 2022 $m
Opening net debt per balance sheet	(619.3)	(281.2)	(653.2)	(255.5)	(275.2)
Net cash in (out) flow	(28.6)	(32.5)	19.7	(53.1)	11.9
Repayment (drawdown) of debt	(15.2)	-	(15.2)	-	(350.0)
Other non-cash movements	13.9	5.4	(0.5)	0.3	9.4
Closing net debt per balance sheet	**(649.2)**	**(308.3)**	**(649.2)**	**(308.3)**	**(603.9)**
Capitalised arrangement fees	(13.9)	(5.4)	(13.9)	(5.4)	(15.4)
Closing net debt	**(663.1)**	**(313.7)**	**(663.1)**	**(313.7)**	**(619.3)**

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 2023	38.2	1,746.1	83.9	**1,868.2**
Additions arising on acquisition	-	41.6	0.3	**41.9**
Additions at cost	1.3	98.6	2.4	**102.3**
Disposals	-	(0.9)	-	**(0.9)**
Exchange adjustments	0.3	1.2	(4.5)	**(3.0)**
At 30 June 2023	**39.8**	**1,886.6**	**82.1**	**2,008.5**
Accumulated depreciation				
At 1 January 2023	9.4	1,013.2	4.6	**1,027.2**
Charge for the period	1.0	53.9	2.2	**57.1**
Disposals	-	(0.6)	-	**(0.6)**
Exchange adjustments	-	1.1	(4.4)	**(3.3)**
At 30 June 2023	**10.4**	**1,067.6**	**2.4**	**1,080.4**
Net carrying amount				
At 30 June 2023	**29.4**	**819.0**	**79.7**	**928.1**
Net carrying amount				
At 31 December 2022	28.8	732.9	79.3	**841.0**

7. Intangible assets

	Customer relationships and contracts $m	Trade name $m	Technology $m	Total $m
Cost				
At 1 January 2023	287.8	176.3	50.0	514.1
Additions	0.4	-	-	0.4
Additions arising on acquisition	-	-	1.2	1.2
Reclassification to goodwill[1]	(11.6)	-	-	(11.6)
Exchange	-	-	1.1	1.1
At 30 June 2023	**276.6**	**176.3**	**52.3**	**505.2**
Accumulated amortisation				
At 1 January 2023	254.8	168.6	41.2	464.6
Charge for the period	-	-	3.5	3.5
At 30 June 2023	**254.8**	**168.6**	**44.7**	**468.1**
Net carrying amount				
At 30 June 2023	**21.8**	**7.7**	**7.6**	**37.1**
Net carrying amount				
At 31 December 2022	33.0	7.7	8.8	49.5

[1] Reclassification of a balance arising on the acquisition of Saipem Land Drilling assets previously allocated to Intangible Assets now treated as Goodwill.

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8. Trade and other receivables

	Q2 2023 $m	Q2 2022 $m	Audited Q4 2022 $m
Trade receivables	288.3	273.1	243.6
Other receivables	22.2	16.8	21.1
Prepayments and accrued income	42.4	22.5	38.2
Contract assets	14.8	17.7	17.5
Total	**367.7**	**330.1**	**320.4**

9. Trade and other payables

	Q2 2023 $m	Q2 2022 $m	Audited Q4 2022 $m
Trade payables	137.0	49.4	92.2
Other tax and social security	23.2	18.5	18.1
Other payables	16.3	20.9	28.3
Accruals	164.6	150.2	170.6
Payments received on account	4.8	0.9	1.5
Deferred income	28.0	28.6	24.7
Total	**373.9**	**268.5**	**335.4**

10. Cash generated from operating activities

	Q2 2023 YTD $m	Q2 2022 YTD $m	Q2 2023 $m	Q2 2022 $m
Profit (loss) for the period	3.3	(92.1)	16.1	(95.3)
Adjustments for:				
Tax charge	18.7	17.0	5.6	9.7
Depreciation[1]	87.4	62.9	47.0	29.0
Amortisation of intangible assets	3.5	1.8	1.9	0.9
Net impairment gains (losses) of other non-current assets	-	108.5	-	108.5
Loss (gain) on sale of property, plant and equipment	(0.2)	(1.2)	-	1.0
Saipem negative goodwill release	(26.0)	-	(26.0)	-
Net movement in provisions, other liabilities and retirement benefit obligations	2.7	(4.1)	1.1	(2.4)
Net finance cost	85.5	6.7	46.9	(8.2)
(Increase) decrease in inventories and work in progress	(28.3)	(2.4)	(9.2)	2.0
(Increase) decrease in trade and other receivables	(52.8)	(46.5)	15.6	(29.7)
Increase (decrease) in trade and other payables	22.4	(11.5)	(2.1)	(27.4)
Exchange differences from operating activities	(9.1)	11.5	(9.1)	18.5
Cash generated from operating activities	**107.1**	**50.6**	**87.8**	**6.6**

[1] YTD depreciation includes $30.3m (Q2 2022 YTD $21.3m) of depreciation for right of use assets.

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11. Saipem acquisition

On 3 May 2023 the Group completed the acquisition of a further 44 rigs[1] from Saipem Onshore Drilling's Latin American business, with an effective date of 30 April 2023. This leaves only 6 rigs remaining to be acquired once regulatory approvals and other local administrative processes are finalised.

The cash outflow of $37.8m in Q2 per the cashflow statement represents the cash consideration paid to the sellers at closing of $44.2m, less the cash acquired of $6.4m. There remains a $2.7m deferred consideration balance which is payable in monthly instalments until May 2024.

Purchase consideration

	2022 Phase 1 $m	Fair Value adj $m	Kuwait Phase 2 $m	LATAM Phase 3 $m	All Phases $m
Cash	469.5	(4.2)	44.5	44.2	554.0
Cash acquired	(8.6)	-	-	(6.4)	(15.0)
Shares issued, at fair value	92.5	-	-	-	92.5
Deferred consideration payable	-	-	-	2.7	2.7
Total consideration	553.4	(4.2)	44.5	40.5	634.2

Provisional fair value of acquisition

	2022 KSA & ROW $m	Fair Value adj $m	Kuwait Phase 2 $m	LATAM Phase 3 $m	All Phases $m
Net assets					
Property, plant and equipment	485.1	-	43.4	72.8	601.3
Right of use assets	8.2	-	-	-	8.2
Intangible assets	33.1	-	1.3	-	34.4
Inventories and work in progress	34.0	(4.6)	3.5	12.7	45.6
Trade and other receivables	92.9	-	-	15.4	108.3
Deferred tax asset	5.3	0.9	0.5	6.5	13.2
Trade and other payables	(82.6)	(0.1)	(1.4)	(5.0)	(89.1)
Deferred income	-	(2.9)	-	(4.5)	(7.4)
Tax liabilities	(1.2)	-	-	-	(1.2)
Deferred tax liability	(52.7)	-	(0.4)	-	(53.1)
Total identifiable net assets	522.1	(6.7)	46.9	97.9	660.2
Goodwill arising on acquisition	31.3	2.5	(2.4)	(57.4)	(26.0)
Purchase consideration transferred	553.4	(4.2)	44.5	40.5	634.2

Cumulative negative goodwill arising on the acquisition to date totalling $26.0 million has been credited to the Income Statement in Q2 2023.

[1] Includes 17 rigs which are currently inactive in Venezuela