



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 987 558 741  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: KCA DEUTAG HOLDINGS NORGE AS  
Forretningsadresse: Espehaugen 37  
5258 BLOMSTERDALEN

### Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Johnny Yndesdal  
Dato for fastsettelse av årsregnskapet: 23.06.2023

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 30.07.2024



## Resultatregnskap

Beløp i: NOK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Avskrivning på varige driftsmidler og immaterielle eiendeler		192 000	102 000
<b>Sum kostnader</b>		<b>192 000</b>	<b>102 000</b>
<b>Driftsresultat</b>		<b>-192 000</b>	<b>-102 000</b>
<b>Finansinntekter og finanskostnader</b>			
mottatt konsernbidrag		86 914 000	113 136 000
Inntekt på andre investeringer		588 352 000	
<b>Sum finansinntekter</b>		<b>675 266 000</b>	<b>113 136 000</b>
Annen rentekostnad		10 907 000	5 072 000
<b>Sum finanskostnader</b>		<b>10 907 000</b>	<b>5 072 000</b>
<b>Netto finans</b>		<b>664 359 000</b>	<b>108 064 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>664 167 000</b>	<b>107 962 000</b>
Skattekostnad på ordinært resultat	4		
<b>Ordinært resultat etter skattekostnad</b>		<b>664 167 000</b>	<b>107 962 000</b>
<b>Årsresultat</b>		<b>664 167 000</b>	<b>107 962 000</b>
<b>Overføringer og disponeringer</b>			
Overføringer til/fra annen egenkapital	6	664 167 000	107 962 000
<b>Sum overføringer og disponeringer</b>		<b>664 167 000</b>	<b>107 962 000</b>



### Balanse

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	5	1 313 742 000	1 313 742 000
<b>Sum finansielle anleggsmidler</b>		<b>1 313 742 000</b>	<b>1 313 742 000</b>
<b>Sum anleggsmidler</b>		<b>1 313 742 000</b>	<b>1 313 742 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Andre fordringer			10 000
Konsernfordringer	7	788 443 000	113 136 000
<b>Sum fordringer</b>		<b>788 443 000</b>	<b>113 146 000</b>
<b>Sum omløpsmidler</b>		<b>788 443 000</b>	<b>113 146 000</b>
<b>SUM EIENDELER</b>		<b>2 102 185 000</b>	<b>1 426 888 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	7	30 000	1 652 101 000
Overkurs	7		3 474 272 000
<b>Sum innskutt egenkapital</b>		<b>30 000</b>	<b>5 126 373 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital	7	1 402 176 000	-4 165 612 000
<b>Sum opptjent egenkapital</b>		<b>1 402 176 000</b>	<b>-4 165 612 000</b>
<b>Sum egenkapital</b>		<b>1 402 206 000</b>	<b>960 761 000</b>



## Balanse

Beløp i: NOK	Note	2022	2021
Sum langsiktig gjeld		0	0
<b>Kortsiktig gjeld</b>			
Kortsiktig konserngjeld	7	699 846 000	466 091 000
Annen kortsiktig gjeld		134 000	36 000
<b>Sum kortsiktig gjeld</b>		<b>699 980 000</b>	<b>466 127 000</b>
<b>Sum gjeld</b>		<b>699 980 000</b>	<b>466 127 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>2 102 186 000</b>	<b>1 426 888 000</b>



Our date 08.08.2023	Your date 29.06.2023	Case officer Kjell Knutsen
800 80 000 Tax Administration Norway.no	Your reference AR558660286	Telephone 94897296
Org.nr 974761076	Our reference 2023/5411800	Postal address Postboks 9200 Grønland 0134 OSLO

KCA DEUTAG HOLDINGS NORGE AS  
Espehaugen 37  
5258 BLOMSTERDALEN

*Callers from abroad, please call +47 22 07 70 00*

## Exemption from the obligation to prepare consolidated accounts for KCA Deutag Holdings Norge AS, org.nr. 987558741

With reference to your letter dated 28<sup>th</sup> of June 2023 with respect to the above matter regarding KCA Deutag Holdings Norge AS.

KCA Deutag Holdings Norge AS is a Norwegian parent company in a subgroup where KCA Deutag Alpha Limited is the parent company. KCA Deutag Alpha Limited is domiciled in Great Britain where the company has its head office in Aberdeen in Scotland. Group accounts are prepared by KCA Deutag Alpha Limited in English according to IFRS, which includes KCA Deutag Holdings Norge AS with subsidiaries in Norway.

The Tax Office grants an exemption from the obligation to prepare consolidated accounts for KCA Deutag Holdings Norge AS according to the Norwegian Accounting Act of 17<sup>th</sup> June 1998 no. 56 § 3-7 fourth paragraph. The exemption is granted on the condition that KCA Deutag Alpha Limited prepares consolidated accounts which include the Norwegian subgroup. It is assumed that the consolidated accounts are prepared in accordance with IFRS and the requirements of Norwegian Accounting Act Section 3-7 and regulations in general are followed. The provisions of the Norwegian Accounting Act Section 8 apply correspondingly to the consolidated accounts.

Regarding which language the parent company prepare consolidated accounts in, we refer to the Regulation of 7<sup>th</sup> September 2006 no. 1062 to supplement and implement of the Norwegian Accounting Act. According to § 3-7-1, consolidated accounts may be submitted in Norwegian, Swedish, Danish or English.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the consolidated financial statements. The company is responsible to document by this letter that an exemption is granted.



Yours sincerely,

Gro Stangeland  
Group Manager  
Priority Risks Division, Large Business  
The Norwegian Tax Administration

Kjell Knutsen

*This document has been electronically approved and therefore has no handwritten signatures.*



KCA DEUTAG Holdings Norge AS  
Annual Report and Financial Statements  
for the year ended 31 December 2022

Registered Number: 0987558741



**KCA DEUTAG Holdings Norge AS**  
**Annual report and financial statements**  
**for the year ended 31 December 2022**  
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## **KCA DEUTAG Holdings Norge AS**

### **Board of Directors and other officers**

#### **Board of Directors**

O Maier

A Hogg

T Anhøj (appointed 23 February 2023)

T E Aasland (resigned 23 February 2023)

#### **Independent Auditors**

Ernst & Young AS

Thormohlens gate 53 D

NO-5006 Bergen

Norway

#### **Business Address**

Espehaugen 37

Blomsterdalen

5258 Bergen

Norway



## KCA DEUTAG Holdings Norge AS

### Directors' report for the year ended 31 December 2022

The directors submit their annual report to the members together with the audited accounts of the Company for the year ended 31 December 2022.

#### Directorate

The directors in office at the date of this report and who served during the year are as follows:

O Maier

A Hogg

T Anhøj (appointed 23 February 2023)

T E Aasland (resigned 23 February 2023)

#### The business, operations and prospects

KCA DEUTAG Holdings Norge AS was incorporated on 11 November 2004, and the Company's registered office is in Bergen, Norway. The Company is a holding company and owns 100% of the shares of KCA DEUTAG Drilling Norge AS and Abbot Holdings Norge AS.

In the short and long term it is expected that the subsidiary KCA DEUTAG Drilling Norge AS will continue to trade profitably. The other subsidiary is Abbot Holdings Norge AS, a holding company which does not trade. It is expected that the subsidiaries which represent the investments held by Abbot Holdings Norge AS will trade profitably in the future. The prospects are positive within the Company's subsidiaries, both in the short and long term.

#### Going concern

The Company has net assets of NOK 1,402,206k (2021: NOK 960,761k), and its funding is dependent upon the overall funding position of the KCA DEUTAG Alpha Group ("the Group"). The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.

The Company participates in a notional Cash Pooling arrangement with a number of other Group Companies. Cash and overdraft balances included within the cash pool are treated as intercompany receivables and payables respectively for the purposes of disclosure in these financial statements.

Bank borrowings, senior secured notes and guarantee facilities available to KCA DEUTAG Alpha Limited and certain subsidiaries, including the Company, of US\$ 1,025,000,000 are secured inter alia by a cross guarantee from the Company, by a floating charge over the assets of the Company and by a share pledge over the shares of the Company.

At the year end the Group has a strong liquidity position and has headroom under its financial covenants which form a part of these facilities. The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process, along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period. By completing this analysis, these projections indicate that the Group's liquidity and covenant headroom is adequate. Therefore, the Directors are confident that the Group has sufficient covenant headroom as well as adequate cash resources to meet all of its liabilities as they fall due for at least the next 12 months. For these reasons the Directors consider it appropriate to prepare the Group's financial statements on a going concern basis. Further details are provided in Note 11 to the financial statements.

#### Risk

Recognising and managing risk is an inherent part of the management culture. For further information on risk see note 2.



## KCA DEUTAG Holdings Norge AS

### Directors' report for the year ended 31 December 2022 (continued)

#### Health, security, environmental and corporate governance

The Company's business is that of a holding company and other than through its subsidiaries is not exposed to any environmental matters.

The Company has no employees. The Board and management will work to establish equal positions and opportunities for men and women in the Board.

#### Income statement and balance sheet

The profit for the year is NOK 664,167k (2021: NOK 107,962k). Of the Company's liabilities, NOK (699,980)k (2021: NOK 466,127k) are due within one year from balance sheet date.

During the year the company paid a dividend of NOK 222,722k.

#### Annual result and year-end appropriations

The board proposes the following appropriation of the annual result:

Total appropriation	(NOK 664,167,000)	(2021: NOK 107,962,000)
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The Company's positive equity at 31 December 2022 is	NOK 1,402,206,000	2021: NOK 960,761,000
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Bergen, 23 June 2023

Alisdair Hogg  
Member of the Board

Ole Maier  
Chairman of the Board

Thorbjørn Anhøj  
Thorbjørn Anhøj  
Member of the Board

Digitalt signeret af Thorbjørn  
Anhøj  
Date: 2023.06.22 14:47:36  
+0200



Statsautoriserte revisorer  
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen  
Postboks 6163, 5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00

www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCA Deutag Holdings Norge AS

### Opinion

We have audited the financial statements of KCA Deutag Holdings Norge AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, the statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

The financial statements for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 8 July 2022.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.



## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bergen, 23 June 2023  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Øyvind Nore  
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: K7XQE-JF21C-660TL-QN7HA-8N5C4-NOWEJ



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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

## Øyvind Nore

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5994-4-485745

IP: 83.241.xxx.xxx

2023-06-23 11:12:31 UTC



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## KCA DEUTAG Holdings Norge AS

### Income statement for the year ended 31 December 2022

	Note	2022 NOK'000	2021 NOK'000
<b>Operating expenses</b>			
Other operating expenses		(192)	(102)
<b>Operating loss</b>		(192)	(102)
<b>Financial income and financial expenses</b>			
Dividends received		588,352	-
Group contribution received		86,914	113,136
Other interest expenses		(10,907)	(5,072)
<b>Net financial expenses</b>		<b>664,359</b>	<b>108,064</b>
<b>Profit before tax charge</b>		<b>664,167</b>	<b>107,962</b>
Tax charge on ordinary profit (loss)	4	-	-
<b>Profit for the year</b>		<b>664,167</b>	<b>107,962</b>
<b>Applications:</b>			
Transferred to other equity	6	664,167	107,962

### Statement of comprehensive income for the year ended 31 December 2022

	2022 NOK'000	2021 NOK'000
<b>Profit for the year</b>	<b>664,167</b>	<b>107,962</b>
<b>Total other comprehensive loss for year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>	<b>664,167</b>	<b>107,962</b>



## KCA DEUTAG Holdings Norge AS

### Balance Sheet as at 31 December 2022

	Note	2022 NOK'000	2021 NOK'000
<b>Non-current assets</b>			
<b>Intangible assets</b>			
<i>Financial assets</i>			
Investments in subsidiaries	5	1,313,742	1,313,742
<b>Total non-current assets</b>		<b>1,313,742</b>	<b>1,313,742</b>
<b>Current assets</b>			
Due from group companies	7	788,443	113,136
Other receivables		-	10
<b>Total current assets</b>		<b>788,443</b>	<b>113,146</b>
<b>Total assets</b>		<b>2,102,185</b>	<b>1,426,888</b>
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	6	30	1,652,101
Share premium	6	-	3,474,272
Other capital	6	-	-
<b>Total paid-in equity</b>		<b>30</b>	<b>5,126,373</b>
<i>Earned equity</i>			
Other equity	6	1,402,176	(4,165,612)
<b>Accumulated losses</b>		<b>1,402,176</b>	<b>(4,165,612)</b>
<b>Total equity</b>		<b>1,402,206</b>	<b>960,761</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to group companies	7	699,846	466,091
Other current liabilities		134	36
<b>Total current liabilities</b>		<b>699,980</b>	<b>466,127</b>
<b>Total liabilities</b>		<b>699,980</b>	<b>466,127</b>
<b>Total equity and liabilities</b>		<b>2,102,186</b>	<b>1,426,888</b>

Bank balances within the Group's cash pooling arrangements are shown within amounts due from/to Group companies.

Bergen, 23 June 2023

Alisdair Hogg  
Member of the Board

Ole Maier  
Chairman of the Board

Thorbjørn  
Anhøj

Thorbjørn Anhøj  
Member of the Board

Digitalt signeret af Thorbjørn  
Anhøj  
Dato: 2023.06.22 14:48:06  
+02'00'



**KCA DEUTAG Holdings Norge AS**

**Cash flow statement for the year ended 31 December 2022**

	2022	2021
	NOK'000	NOK'000
Profit (loss) before tax charge	664,167	107,962
Dividend received not yet paid	(588,352)	-
Change in receivables	(86,925)	(102,570)
Change in other provisions	77	(10)
<b>Net cash flow used in operations</b>	<b>(11,033)</b>	<b>5,382</b>
Proceeds long term inter-company loans	11,033	(5,382)
Dividends paid	-	-
<b>Net cash flow from financing</b>	<b>11,033</b>	<b>(5,382)</b>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>

Bank balances within the Group's cash pooling arrangements are shown within amounts due from/to Group companies.



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022

#### 1 Accounting policies

##### General information

KCA DEUTAG Holdings Norge AS is a joint-stock company registered in Norway, which was incorporated on 11 November 2004.

##### Presentation of the financial statements

The financial statements of KCA DEUTAG Holdings Norge AS for 2022 have been prepared according to IFRS and instructions on simplified use of IFRS (2006-12-22 no. 1582), implying that the Company makes use of accounting policies in accordance with IFRS while notes have been prepared in accordance with chapter 7 of the Accounting Act.

The financial statements have been prepared under the historical cost convention.

##### Group affiliation

In accordance with the Accounting Act § 3-7 the Company does not prepare consolidated financial statements. The Company constitutes a part of the consolidated financial statements of KCA DEUTAG Alpha Limited, a company registered in England. The consolidated financial statements of KCA DEUTAG Alpha Limited have been made accessible through filing at the Register of Company Accounts.

##### Functional currency and presentation currency

The Company is presenting the financial statements in NOK. This is also the Company's functional currency.

##### Classification of balance sheet items

Assets which are considered as permanent ownership are classified as non-current assets. Receivables are classified as current assets if they are to be repaid within one year from payment date. Analogue criteria come into force for liabilities.

##### General valuation principles

Assets are valued at the lower of acquisition cost and fair value.

##### Investment in and return from investment in other companies

Shares, including shares in subsidiaries are valued according to the cost method in the Company accounts. The investment is valued at acquisition cost of the shares unless impairment has been necessary. Impairment to fair value has been made when a loss in value is not expected to be temporary and impairment is considered necessary according to generally accepted accounting principles. The impairment is reversed when the reason for the impairment is no longer present.

Dividends and other distributions are recognised as income in the same year as being allocated in the subsidiary. In case the dividend exceeds share of retained result after the acquisition, the excess amount represents repayment of invested capital and the distributions have been deducted from the value of the investment in the balance sheet.

##### Provisions

A provision is recognised when the Company has an obligation (legal or self-imposed) as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, the provision is made by discounting expected future cash flows at a discount rate before taxes that is reflecting the pricing of the market of the time value of money and, if relevant, risks specifically connected to the obligation.



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 1 Accounting policies (continued)

##### Equity

##### Liabilities and equity

Financial instruments are classified as liabilities or equity in accordance with the underlying financial reality.

Interest, dividend, profit and loss related to a financial instrument classified as liability, will be recognised as expense or income. Distributions to owners of financial instruments that are classified as equity will be recognised directly against equity.

##### Expenses connected to equity transactions

Transaction costs directly connected to an equity transaction is recognised directly against equity less deduction for taxes.

##### Principles for revenue recognition

Revenue is recognised when transactions are likely to generate future financial profit that will accrue to the Company and the size of the amount can be reliably estimated.

##### Foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. Monetary items in foreign currency are translated into NOK using the exchange rate of the balance sheet date. Non-monetary items that are measured at historical exchange rate in foreign currency, are translated to NOK using the exchange rate prevailing at the transaction date. Non-monetary items that are measured at fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange rate changes are recognised currently in the income statement in the accounting period.

Items at fair value in foreign currency are translated at the exchange rate prevailing at the time for valuation of fair value.

##### Taxes

The tax charge in the income statement comprises both payable tax of the period and change in deferred tax. Tax enhancing and tax reducing temporary differences that are reversed or may be reversed in the same period have been eliminated. Net deferred tax asset is recognised in the balance sheet to the extent that it is probable that it will be utilised.

##### Borrowings

Issued loans are historically recognised at fair value, net after incurred transaction costs. Subsequently borrowings are recognised as amortised cost by means of the effective interest method.

##### Financial assets and liabilities

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes part in the contractual provision for the instrument.

##### Financial derivatives and hedging accounting

The Company's activities involve financial risk related to changes in interest and currency exchange rates. The Company makes use of foreign forwarding contracts and interest swap arrangements to secure such positions. The Company does not make use of financial derivatives for speculative purposes.

Financial derivatives are recognised at fair value at the time of transaction. Carried amount of derivatives are currently re-measured by changes in fair value. The method for accounting of profit and loss depends on whether the derivatives are defined as hedging instrument and the qualities of the hedging object. The Company estimates appointed derivatives as either (1) hedging of fair value, (2) hedging of cash flows or (3) hedging of net investment in foreign entity. The Company has not used financial derivatives during the year ended 31 December 2022.

If hedging accounting is being used the Company has documented the connection between hedging instrument and hedging object, the purpose of the risk management and hedging strategy at accomplishment of the transaction. The Company may also document how hedging efficiency is measured, both at the time of transaction and currently. The Company is testing efficiency every six months.



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 1 Accounting policies (continued)

##### Financial derivatives and hedging accounting (continued)

Changes in fair value at transactions defined as hedging of cash flows and where efficiency is documented, have been recognised directly against equity. The part of the transaction that is not efficient is recognised over the income statement. If the hedging of cash flows of a liability entered into or an expected transaction which involves recognition of a non-financial asset or liability, previous profit or loss for the derivative that is recognised against the equity will be included in the assessment of the value of the asset or liability at the time of recognition.

For hedging that does not involve recognition of assets or liabilities the allocated amount against equity will be recognised over the income statement in the same period as the hedging object brings about profit or loss.

Hedging accounting is not continued when the hedging object is omitted or sold, terminated or performed or no longer qualifies for hedging accounting. At this point in time accumulated profit or loss involved in the hedging instrument that is recognised against equity, is continued as equity element until the expected hedging transaction occurs. If the hedging transaction can no longer be expected to occur, accumulated profit and loss recognised against equity are recognised over the income statement.

Fair value of forwarding currency contracts is estimated based on the currency exchange rates prevailing at the balance sheet date.

##### Conditional liabilities and assets

Conditional liabilities are not recognised in the financial statements. Information is given about material conditional liabilities with the exception of conditional liabilities where the probability of the liability is low.

A conditional asset is not recognised in the financial statements, but informed about if a certain probability is present that an advantage will accrue to the Company.

##### Events after the balance sheet date

New information after the balance sheet date regarding the Company's financial position is taken into account in the financial statements. Events after the balance sheet date that do not have any impact on the Company's financial position on the balance sheet date, but will have impact on the Company's future financial position are disclosed if material.

##### Estimates

The preparation of the financial statements is subject to management using estimates and assumptions that influence the income statement and the assessment of assets and liabilities, and information related to insecure assets and liabilities at the balance sheet date.

Conditional losses that are probable and quantifiable are recognised as expense currently.

##### Statement of cash flows

The statement of cash flows has been prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short term liquid investments.

##### Dividends

Dividend distributions on ordinary shares are recognised as a liability in the Company's financial statements when they have been approved by Company's shareholders. Interim dividends are recognised when paid. Dividend income is recognised when the right to receive payment is established.

##### Group contributions

Group contributions paid are recognised as a liability in the Company's financial statements when they have been approved by Company's shareholders. Group contribution received is recognised when the right to receive payment is established.



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 2 Financial market risk

The Company has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the instruments to fix interest rates.

##### Interest risk

The Company is exposed to interest rate risk on its interest-bearing borrowings.

##### Exchange risk

The Company's transactions are mainly in NOK. The Company carries a negligible exchange exposure on its USD denominated bank balance. This position is regularly reviewed and managed to maintain a low risk profile.

#### 3 Wages, number of employees, remunerations, loans to employees and auditor's fee

The Company has no employees. No loan or guarantees have been rendered to employees in other group companies. No remuneration has been rendered to the members of the Board.

Auditors' fee of NOK 115k (2021: NOK 34k) has been recognised in the income statement.

The Company is not obliged to have a mandatory pension scheme.

#### 4 Tax charge on ordinary profit (loss)

	2022 NOK'000	2021 NOK'000
<b>Calculation of tax charge for the year</b>		
Profit before tax charge including group contribution	664,167	107,962
Timing differences	82	3,789
Non taxable income	(588,352)	-
Utilisation of taxable loss carried forward	(75,897)	(111,751)
Basis for taxes	-	-
Tax rate	22%	22%
Total tax charge	-	-
<b>Calculation of deferred tax asset/liability</b>		
Tax losses	-	(72,093)
Other timing difference	(49,688)	(49,561)
Deferred tax not recognised	49,688	121,654
Basis for deferred tax	-	-
Tax rate	22%	22%
Deferred tax assets	-	-

A deferred tax asset has not been recognised due to uncertainty of future taxable income arising in the Company.



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 5 Investments in subsidiaries

	Business address	Owner's share voting share	Book Value NOK'000
Abbot Holdings Norge AS	Bergen	100%	999,964
KCA DEUTAG Drilling Norge AS	Bergen	100%	313,778
<b>Total</b>			<b>1,313,742</b>

In 2022 Abbot Holdings Norge AS made a profit after tax of NOK 13,768k and as at 31 December 2022 had total positive equity of NOK 1,507,534k.

In 2022 KCA DEUTAG Drilling Norge AS made a profit after tax of NOK 88,169k and as at 31 December 2022 had total positive equity of NOK 865,759k.

#### 6 Equity

	Share capital NOK'000	Share premium NOK'000	Other paid in capital NOK'000	Other equity NOK'000	Total NOK'000
At 1 January 2022	1,652,101	3,474,272	-	(4,165,612)	960,761
Loss for the year	-	-	-	664,167	664,167
Dividend paid	-	-	-	(222,722)	(222,722)
Capital reduction	(1,652,071)	(3,474,272)	-	5,126,343	-
<b>At 31 December 2022</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>1,402,176</b>	<b>1,402,206</b>

During 2022 the share capital and distributable reserves of the company were reduced by way of a capital reduction.

The share capital decreased from 1,619,707,194 shares to 30,000 shares of NOK 1.02 each.

#### 7 Intercompany balances with Group companies

	2022 NOK'000	2021 NOK'000
<b>Amounts owed from Group companies</b>		
Abbot Holdings Norge AS - short term receivable	595,255	6,903
KCA DEUTAG Drilling Norge AS - short term receivable	180,904	93,948
KCA DEUTAG Modu Operations AS - short term receivable	12,285	12,285
<b>Total</b>	<b>788,443</b>	<b>113,136</b>



## KCA DEUTAG Holdings Norge AS

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 7 Intercompany balances with Group companies (continued)

	2022	2021
	NOK'000	NOK'000
<b>Amounts owed to Group companies</b>		
Abbot Holdings Norge AS - loan liability	466,186	461,000
KCA DEUTAG Drilling Ltd - short term payable	222,722	-
Other short term payables	10,938	5,091
<b>Total</b>	<b>699,846</b>	<b>466,091</b>

There is a loan liability of NOK 461,000k plus accrued interest of NOK 5,186k owing to a direct subsidiary company, Abbot Holdings Norge AS. The loan is repayable on demand. Interest is charged at the underlying NOK base rate plus a margin of 1.0%.

The other short term payable balance relates wholly to the Group cash pooling arrangement.

#### 8 Financial institutions

As at 31 December 2022 and 2021, the Company has no non-current liabilities owing to financial institutions.

Bank borrowings, senior secured notes and guarantee facilities available to KCA DEUTAG Alpha Limited and certain subsidiaries, including the Company, of US\$ 1,025,000,000 are secured inter alia by a cross guarantee from the Company, by a floating charge over the assets of the Company and by a share pledge over the shares of the Company.

#### 9 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of KCA DEUTAG Drilling Limited, which is registered in Scotland. The Company's ultimate controlling company is KCA DEUTAG International Limited, which is registered in Jersey.

At 31 December 2022, the smallest and largest group in which the results of the Company are consolidated are those headed by KCA DEUTAG International Limited. Copies of financial statements of KCA DEUTAG International Limited are available from Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX.

#### 10 Post Balance Sheet Events

Subsequent to the year end, as part of an ongoing corporate reorganisation project, the Company commenced a process to reduce its share capital by way of a capital reduction paid to its parent company.

#### 11 Basis of preparation

The Company has net assets of NOK 1,402,206k (2021: NOK 960,761k), and its funding is dependent upon the overall funding position of the KCA DEUTAG Alpha Group ("the Group"). The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.



## **KCA DEUTAG Holdings Norge AS**

### **Notes to the financial statements for the year ended 31 December 2022 (continued)**

#### **11 Basis of preparation (continued)**

The Company participates in a notional Cash Pooling arrangement with a number of other Group Companies. Cash and overdraft balances included within the cash pool are treated as intercompany receivables and payables respectively for the purposes of disclosure in these financial statements.

Bank borrowings, senior secured notes and guarantee facilities available to KCA DEUTAG Alpha Limited and certain subsidiaries, including the Company, of US\$ 1,025,000,000 are secured inter alia by a cross guarantee from the Company, by a floating charge over the assets of the Company and by a share pledge over the shares of the Company.

At the year end the Group has a strong liquidity position and has headroom under its financial covenants which form a part of these facilities. The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process, along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period. By completing this analysis, these projections indicate that the Group's liquidity and covenant headroom is adequate. Therefore, the Directors are confident that the Group has sufficient covenant headroom as well as adequate cash resources to meet all of its liabilities as they fall due for at least the next 12 months. For these reasons the Directors consider it appropriate to prepare the Group's financial statements on a going concern basis



Brønnøysundregistrene

Organisasjonsnr: 987 558 741  
KCA DEUTAG HOLDINGS NORGE AS  
Postboks 47 Sandsli  
5861 BERGEN

Deres ref.	Vår ref.	Dato
AR562636425	2023683664	16.08.2023

**Vedtak om ikke godkjent årsregnskap for regnskapsåret 2022**

Du må sende årsregnskapet på nytt fordi det ikke oppfylte kravene i regnskapsloven § 8-2, jf. § 3-2.

Ved ny innsending må du:

**\* Legge ved dispensasjon fra Skattedirektoratet som viser at virksomheten har fritak fra å utarbeide eget konsernregnskap når morselskapet er utenfor EØS.**

**Forsinkelsesgebyr**

Når Regnskapsregisteret ikke har mottatt komplett årsregnskap innen fristen, ilegges forsinkelsesgebyr, jf. regnskapsloven § 8-3 første ledd. Fristen for å unngå forsinkelsesgebyr finner du på [www.brreg.no/innsending-av-arsregnskap/](http://www.brreg.no/innsending-av-arsregnskap/). Hvis du har sendt mangelfullt årsregnskap innen fristen, kan dere unngå forsinkelsesgebyr hvis du sender komplett årsregnskap senest to uker fra vedtaksdato.

**Klagemulighet**

Du kan klage på dette vedtaket. Klagefristen er tre uker fra du mottok vedtaket. Klageinstansen er Finansdepartementet, men du må sende klagen skriftlig til Regnskapsregisteret. Det må gå frem hvilket vedtak du klager på og klagen må være begrunnet, datert og undertegnet av klageren. Se forvaltningsloven §§ 28-32. Du har rett til å se sakens dokumenter, men med de begrensningene som følger av forvaltningsloven §§ 18 og 19.

Du trenger ikke å klage for å få årsregnskapet godkjent hvis du retter manglene og sender nytt komplett årsregnskap.

Gratis tilgang til norske lover finner du på [www.lovdatab.no](http://www.lovdatab.no).

Med hilsen

**Brønnøysundregistrene - Regnskapsregisteret**

Margrethe Meyer Trølvik  
seniorrådgiver

Sandra Fagerbakk  
saksbehandler

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



**Skattedirektoratet**

Inquiries to Torstein Kinden Helleland	Your date 25.04.2007	Our date 08.08.2007
Telephone +47 22 07 81 39	Your reference Petter Pharo	Our reference 2007/177957 /RR-RE/TKH /812.1

Ernst & Young AS  
P.O. Box 6163  
5892 Bergen

**Application for a permission to keep accounts in Norway in English language,  
including the annual report and statement**

Dear Mr Petter Pharo,

With reference to your letter of 25 April 2007, fax of 20 June 2007 and various phone calls with respect to the above matter.

The application in question concerns the following companies:

1. Abbot Holdings Norge AS (reg. no. 989 528 270)
2. KCA DEUTAG Offshore AS (reg. no. 986 709 770)
3. KCA DEUTAG Pte Ltd (reg. no. 990 440 832)
4. KCA DEUTAG (Ben Rinnes) AS (reg. no. 990 397 082)
5. KCA DEUTAG Holdings Norge AS (reg. no. 987 558 741)

The background for the application is that all of the above mentioned companies are part of the Abbot Group. Abbot Group Plc, the head company of the Abbot Group, is listed on the London Stock Exchange (LSE).

The activities of the Abbot Group are centred around its operating subsidiaries, KCA DEUTAG, and Benter Drilling & Oilfield Systems. KCA DEUTAG is the largest offshore platform drilling contractor in the North Sea and the Caspian Region. Further, it is one of the largest international land drilling contractors outside the Americas, and a world leader in engineering, rig design, construction and operation. The company has more than 6.000 employees worldwide and has operations in the North Sea, Europe, Russia, the Middle East, Caspian Region, North and West Africa, and Asia.

KCA DEUTAG's Headquarter is in Aberdeen, Scotland, and it operates through three Global Business Units.

The company's accounts are audited by PWC. Ernst & Young is elected as the company's preferred Tax Advisor worldwide.

The reason for the application is that the group in question is highly international in the sense that it operates throughout the world. The company group has several legal entities and companies in different countries. A number of these companies are taxable or will be

Postal address P.O.Box 6300 Etterstad 0603 Oslo	Office address Fredrik Selmers vei 4 Org. nr: 974 761 076 skattedirektoratet@skatteetaten.no	Telephone 22 07 70 00 Telefax 22 07 71 08
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taxable in other jurisdictions due to inter alia international rig operations. It follows that the accounts for these companies will have to be presented in different jurisdictions.

The company KCA DEUTAG Pte Ltd is inter alia subject to statutory accounting also in Singapore (prepared in English language), which implies that it is a significant disadvantage if the company has to prepare the Norwegian accounts in Norwegian and the Singapore accounts in English.

For this reason alone the company group has a strong interest in using the English language as the accounting language for the above-mentioned companies.

The group headquarter is in Aberdeen, and the working language of the group is English. All the users of the accounts within the company group are also English, as well as the persons signing the accounts. All the above-mentioned companies covered by this application are 100 % owned by an English company. All company loan agreements etc. are entered into with foreign financial institutions (banks). Further, more or less all the contracting parties and customers of these companies are foreign companies. Contracting parties and customers, at a certain level, commonly want to extract information about the company from the accounts in English.

#### **Permission to keep accounts in Norway in English language**

It follows from the Norwegian Bookkeeping Act of 19 November 2004 nr 73 § 12 that the specifications of statutory financial reporting shall be in Norwegian, Swedish, Danish or English language. Hence, it is not necessary to apply for permission to keep accounts in Norway in English language.

#### **Permission to make the annual report and statement in Norway in English language**

According to the Norwegian Accounting Act § 3-4, third paragraph shall *“the annual report and annual statement ... be in Norwegian. The Ministry can in an individual decision decide that the annual report and/or annual statement may be in another language”*

Ot. prp. nr. 42 (1997-1998) *About Act about annual accounts etc.*, says the following about the purpose of the Accounting Act, refer section 1.1:

*“The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information.”*



Hence, one of the main aims of the Accounting Act is to contribute to “*informative accounts for different users of accounts*” The users of the accounts will include investors, creditors, employees and the local community. The government (central and local) authorities must also be considered to be an important user of the accounts. For example, the tax authorities and other public authorities who are involved in controlling the activities in the private sector, use accounts as an important tool in their control activity.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or annual statement should be done in Norwegian, not in any significant way deviate from the consideration of users of the accounts. Further, the applicant must have a particular interest in having the opportunity to make the annual statement and/or annual statement in a language other than Norwegian.

The four applying companies are a part of the Abbot Group and are 100 % owned by an English company. Abbot Group Plc, the head company of the Abbot Group, is listed on the London Stock Exchange (LSE). The group headquarter is in Aberdeen, and the working language of the group is English. All the users of the accounts within the company group are also English, as well as the persons signing the accounts. All company loan agreements etc. are entered into with foreign financial institutions (banks). Further, more or less all the contracting parties and customers of these companies are foreign companies. Contracting parties and customers, at a certain level, commonly want to extract information about the company from the accounts in English.

Based on the above, and after a total evaluation, the view of The Directorate of Taxes is that the applying companies mentioned above may make the annual report and statement in English language.

#### **Conclusion**

The Directorate of Taxes gives Abbot Holdings Norge AS, KCA DEUTAG Offshore AS, KCA DEUTAG Pte Ltd, KCA DEUTAG (Ben Rinnes), KCA DEUTAG Holdings Norge AS permission to make the annual report and annual statement in English language according to the Norwegian Accounting Act § 3-4 third paragraph.

Yours sincerely,

Nina Hognes  
underdirektør  
Seksjon for revisjon  
Retts- og revisjonsavdelingen

  
Torstein Kinden Helleland



**KCA Deutag Alpha Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2022**

Registered Number: 06433748



KCA Deutag Alpha Limited  
Annual Report and Financial Statements  
for the year ended 31 December 2022  
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## KCA Deutag Alpha Limited

### Chairman's Statement

I am pleased to present my Chairman's Statement for the year ended 31 December 2022. While the impact of the Coronavirus (COVID-19) pandemic was reduced in comparison to the prior two years, the general macroeconomic environment remains challenging due to inflationary pressures, increasing interest rates and a volatile oil price. While we continued to see an improvement in trading conditions during the year, the war in Ukraine, along with UK and EU sanctions, resulted in the Group exiting its Russian operations during the year. However, the successful completion of the first phase of the acquisition of the Saipem Onshore Drilling Business in October has ensured that the Group's trading performance continues on a positive trend year on year.

At the start of 2022, the Group was continuing to work through the longer-term consequences of a sophisticated cyber attack that occurred mid-December 2021. The Group used expert third party cyber-security teams, to respond quickly to the attack, and restore key business applications from secure back-ups in the early part of 2022, with lower priority applications being brought back online throughout the remainder of the year. While this attack was highly disruptive to our support functions, day to day operations in our Land Drilling and Offshore Services Business Units were largely unaffected.

The terrible events in Ukraine and the subsequent evolving sanctions on Russia were monitored closely throughout 2022, with the health, safety and security of employees and their families being the first priority. At the start of the conflict the Group established a dedicated committee to actively monitor the situation and stay in full compliance with all applicable sanctions. The Group suspended all new investments in Russia and continued to evaluate its options relating to the Russian business as the year progressed. While there was no material impact on our operations in the first four months of 2022, further restrictions included within the fourth package of European Union sanctions required us to abandon nine of our land drilling rigs during May 2022 in order to stay compliant. By 30 June, it had become apparent that the Group should abandon the remainder of the Russian Land business as a result of additional European Union sanctions which would come into force in September 2022.

Therefore at 30 June, we impaired the Russian Land fixed assets and inventory balances, but we had expected to be able to ingather and repatriate funds in relation to non-sanctioned fixed assets and pre-abandonment working capital balances at least until September. However on 21 July, further packages of sanctions were put in place by the UK and European Union which resulted in the Group having to immediately isolate the remainder of our Russian businesses from the rest of the KCA Deutag Group. The Group consequently removed foreign nationals from all of our Russian operations and accelerated the abandonment of our remaining land rigs and activities.

Our Russian businesses also ceased to have access to KCA Deutag Group systems and support from Group management. As a result, provisions were recorded as exceptional items during the second half of the year against all remaining net assets related to the businesses in Russia. The Russian businesses were deemed to be divested and have therefore been accounted for as discontinued operations. The impact from losing the Russian business has been painful and in Q3 the Group took action to mitigate and offset this loss by managing the cost base and adjusting execution tactics to target alternate growth areas.

As part of our growth strategy to optimise the business and focus investments in core markets such as the Middle East, the Group completed the sale of our land drilling business in Nigeria for \$18m. The sale included five land drilling rigs and arrangements were put in place to provide technical support to the purchaser and to support KCA Deutag employees and contractors to transfer to the new operation or take up other opportunities with the Group.

Whilst there have been many challenges in 2022, we undoubtedly have finished the year on a high in the form of successfully closing the first phase of the acquisition of the Saipem Onshore Drilling business. This transaction, announced on 1 June 2022, has consideration payable of \$550 million in cash and a 10% equity interest in the Group. The first phase included Saudi Arabia, UAE and Africa, with phase two for Kuwait completing early in 2023. The acquisition of the Latin America business, together with the rigs in Romania and Kazakhstan will complete during the first half of 2023. This milestone and exciting acquisition significantly expands and upgrades the business in the Middle East, a core and active market for our Group. It will allow us to expand in core countries like Saudi Arabia and Kuwait where the Saipem Onshore Drilling business generated around 76% of its Revenue and around 80% of the EBITDA in 2021. In addition, it offers opportunities to capitalise on improving market conditions in Europe and Latin America.

The acquisition was largely funded by loans from our shareholders in the form of \$250 million of Floating Rate Notes, \$200 million of PIK Notes and \$25 million of new equity. Additional RCF funding of \$100 million was also drawn down. As part of the consideration for the purchase Saipem International BV acquired 10% of the share capital of the Group's ultimate parent company and exercised their right to appoint a director, Marco Toninelli, to the KCA Deutag International Board. We welcome Marco to the KCA Deutag Group.

Integration work is now well underway and will continue throughout 2023, as will the continued focus on generating the targeted synergies. The full acquisition will add a total of 84 rigs to the KCA Deutag land fleet, 32 in the Middle East, 47 in Latin America and another 5 in the rest of the world. The Group's backlog is being boosted by \$1.6 billion with \$1.4 billion of this coming in the Middle East.



## KCA Deutag Alpha Limited

### Chairman's Statement (continued)

In 2021 the Group launched Kenera, where we consolidated and leveraged the skills, competencies and experience of the Bentec and RDS businesses to create scale and support the development of additional technologies and services. This enhanced offering is already enabling us to play an active role in the Energy Transition. During 2022 we made a strategic investment in hydrogen production, as well as commercialising our Battery Energy Storage Solution (BESS) which has multiple benefits including the ability to reduce both CO<sub>2</sub> emissions and energy costs. Our extensive experience in Geothermal markets has delivered opportunities for Kenera and contracts for the Land business. We have also established a successful alliance with Arabian Drilling Company in Saudi Arabia, another of our core markets for the Group, and have already commissioned several top drives there as we expand the partnership to include more technologies, products and software.

We were also successful in Oman securing a Letter of Award with Petroleum Development Oman (PDO) to build and operate four new land rigs with the rig design and all key components being delivered by Kenera. The award is for 10 years with an option to extend for a further two years and has a revenue value of over \$550 million. In addition, we announced the award of contract extensions and options totalling over \$170 million in our land drilling business, with the majority focused on extensions with existing customers across core markets in the Middle East.

In support of the Group strategy to expand in renewable energy markets and diversify our earning potential, in September 2022 we announced the signing of a technical cooperation and sales agreement with Clean Power Hydrogen Plc (CPH2) that will enable Kenera to manufacture and supply patented Membrane-Free Electrolyser™ units for hydrogen production. This agreement built upon the successful CPH2 IPO in February 2022 where Kenera was a cornerstone investor in the company. This 10-year partnership brings together CPH2's Membrane-Free Electrolyser™ technology and Kenera's industry-leading manufacturing capabilities to supply hydrogen electrolyzers across Europe and provides Kenera with an exclusive technology licence across the Middle East, including important markets to the Group such as Saudi Arabia and Oman.

The Group's inaugural sustainability report was published in May 2022 and represented an important step forward. Establishing a carbon footprint baseline is already helping us identify improvement and innovation opportunities to actively play our role in the energy transition, while we pledge to do more to measure and minimise emissions and the environmental impact of our global operations, as well as that of our customers.

Throughout 2022 we have continued to focus on the health and wellbeing of our employees using the systems, processes and controls we have in place. At rig sites we continue to focus on removing our personnel from situations or locations which are in the "red zone" with increased risks from hazardous activities and potential falling objects. We ended the year with a Total Recordable Incident Rate (TRIR) of 0.27 per 200,000 man-hours worked which is a slight deterioration from 2021 and still at a level much better than the industry average. In line with our core value of performance improvement and our desire to Drive to Zero incidents, we are reinforcing to our teams the importance of our strong focus on health and safety.

We have continued to work with our employees on broader health and wellbeing issues with our 'healthy heart' and mental health campaigns. This has significantly improved employee engagement and has been positively embraced by a large proportion of our workforce globally.

KCA Deutag is a values-led organisation and is committed to creating, maintaining and celebrating a **Culture of Care**. The Group Culture of Care underpins our Sustainability Strategy and will help ensure a sustainable future for the people, the business and the planet. It consists of 3 pillars:

- Caring for our People
- Caring for our Future
- Caring for the Climate

This commitment to Caring for our People recognises that our people are our greatest asset. We prioritise the safety, health and wellbeing of ourselves, our colleagues, our teams and our communities. We promote continuous learning and collaboration and are dedicated to improving diversity, equity and inclusion. In Caring for our Future, we ensure a stable basis for the continued success of the Group, embedding robust corporate governance, rigorous financial discipline and responsible investment. High ethical and operational standards in our day to day operations will safeguard the employment, innovation and contributions we offer to the industry and to the communities where we live and work. We take seriously our obligations in Caring for the Climate. We are building on our 135 years of experience to make significant contributions to the energy transition and working to manage our ecological impact and measure and reduce our emissions. In addition, our technological innovations are supporting emissions reduction programmes for our customers. We have designed our approach to sustainability to align with these three pillars of our Culture of Care.



## KCA Deutag Alpha Limited

### Chairman's Statement (continued)

In 2022, Group revenues increased by 6.3% to \$1,271.9 million (2021: \$1,196.3 million) whilst our pre exceptional operating EBITDA increased by 5.3% to \$250.1 million (2021: \$237.4 million). Revenues and EBITDA in each of our Business Units increased. Land Drilling revenues were boosted by the Saipem acquisition along with increased utilisation in Saudi Arabia and Europe more than offsetting the impact of the abandonment of our Russian Land Business and lower revenues in Oman. Land rig utilisation in 2022 was 61%. Offshore Services revenues have seen an increase as a result of higher activity and reimbursables in Azerbaijan and Angola, along with increased activity in the UK North Sea which more than offset the impact of having to abandon the Sakhalin business during the year. In Kenera, there were four rig sales in 2022 as well as additional services and engineering revenues.

Operating Profit before exceptional items was marginally higher in 2022. However, due to the impact of impairments made during the year as a result of our exit from Russia and other exceptional items, the Group has recorded an overall operating loss and a loss after tax.

The financial results of the Group for the year ending 31 December are as follows:

	2022 \$m	2021 \$m
Revenue	1,271.9	1,196.3
EBITDA before exceptional items	250.1	237.4
Operating profit before exceptional items	95.5	94.8
Operating (loss) profit	(263.7)	87.3
Profit (loss) after tax before all exceptional items	(13.1)	31.6
(Loss) profit after tax	(371.9)	25.0

A reconciliation of EBITDA to operating profit (loss) is provided in Note 5 to the financial statements.

#### 2023 Outlook

Despite all the disruption the Group has faced in the past year, we have stayed focused on execution, #drivetozero incidents and what we can control through optimising costs. As we move into 2023, the Group is heavily focussed on the integration of our newly acquired businesses in Saudi Arabia, UAE and Kuwait while preparing to finalise the acquisition of the remaining Onshore Drilling operations from Saipem. We remain optimistic as we carry this positive momentum into 2023 and believe that our future results will be strengthened by the newly acquired business, the recent reactivations, contract wins and improvements in the base business. We will continue to focus on delivering the cost synergies from the acquisition as we proactively collaborate with our new colleagues to #becomeoneteam and provide a safe, seamless transition to customers.

The Group will continue to work with clients to maximise in country value in the countries in which we operate. An excellent example of this will be the delivery in late 2023 of the first innovative new rigs that will be constructed in Oman by International Drilling Technology LLC (IDTEC) which represents a step change in the rig building capabilities in the Sultanate. The construction of the first two contracted rigs is well underway with the final design for the remaining two rigs being finalised.

We are making good progress with our strategy for clean energy. Recent wins and promising projects will allow us to diversify our revenue streams and actively play our role in the energy transition. The Group will focus on how we can reduce the carbon emissions we make as a business, help our customers achieve their own objectives in this area, and target business opportunities as the energy transition gathers pace and scale.

The Group is committed to its growth strategy and its targeted strategic tactics to optimise and upgrade its business to deliver accretive value for all our stakeholders: employees, customers, investors and the communities where we live and work.

T Ehret

Chairman, KCA Deutag Alpha Limited  
30 March 2023



## KCA Deutag Alpha Limited

### Strategic Report

#### Market Dynamics and Positioning

In 2022 the Group has continued to focus on delivering high quality products and services to our clients combined with safe, effective, trouble-free operations while taking the necessary actions in response to the terrible events in Ukraine and the resulting Russian sanctions. Activity has started to pick up in many of our markets during 2022, and we have looked to grow our business while carefully managing our costs and staying focused on what we can control. We continue to look to differentiate ourselves from our competitors through our technology offerings and our best-in-class processes and people.

At the end of 2022 the Group has a healthy backlog position of \$6.6 billion (2021 \$5.0 billion) which is boosted by the acquisition of Saipem's onshore drilling business, and has been achieved despite the abandonment of our Russian business which impacted all business units. In Offshore Services our market position remains strong with only one of our existing contracts not secured for all of 2023. In Land Drilling, activity levels have seen some improvement in the second half of 2022 which will continue into 2023, particularly in Saudi Arabia and Europe as well as the integration of 31 rigs during phase one of the Saipem acquisition. Kenera business performed well in 2022 with the completion of the INK rig order although top drive sales were impacted by the Russia exit and engineering activity levels have remained relatively stable. This business unit continues to develop its technology offerings and to diversify into the energy transition market outside of the traditional oil and gas sector.

#### 2022 Performance

Overall, 2022 was another challenging year for the Group as it recovers from the cyber attack at the end of 2021 and abandonment of our Russian business in July 2022. However, the benefits of the acquisition plus strengthening activity in some of our other markets have delivered positive results. The main themes of our business performance were:

- In Land Drilling we saw an increase in utilisation in 2022 with a number of previously suspended rigs returning to operation and improved activity in countries like Pakistan and Europe. It has also been positively impacted by short term day rate discounts being reversed and improved rates in Europe. During 2022, we took a key strategic step forward for this business unit with the acquisition of Saipem's onshore drilling business. The transaction was announced with the signing of the SPA on 1 June 2022, and the first closing for the operations in Saudi Arabia, UAE and Congo completed in October 2022. These positive impacts have more than offset the reduced activity as a result of exiting the Russia Land Drilling Business. Subsequent to year end the acquisition of Kuwait was completed in January 2023, with the remaining closing for Latin America, Romania and Kazakhstan planned for later in the first half of 2023.
- Offshore Services has continued to perform well in 2022 within the remaining operating locations post Russia abandonment. Activity in Angola has increased year on year as the reactivation of the Kizomba platform was completed and operations started in Q2 2022. Elsewhere, we have continued to operate in our core markets of Azerbaijan, Norway, UK and Canada. Unfortunately, the pipe pool contract in Norway ceased in November 2022, although this had only minimal impact on 2022.
- Kenera took further steps into the energy transition market with the energy optimisation project on two CAT J rigs in Norway and other scopes of work completed in 2022. Brownfield engineering work remained steady in the UKCS and Norway. We completed delivery of the final four rigs from the seven rig order for a customer in Russia. Services activity has been affected by the exit from the Russian market but remained steady in Europe with expansion starting in the Middle East which includes provision of components.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

#### Strategic Review

KCA Deutag aims to deliver safe and reliable operations, and innovative technologies. Where possible we aim to offer our customers end-to-end solutions from industry leading design and manufacture through to excellent operational delivery.

In 2022 KCA Deutag had three Business Units, following the creation of the Kenera Business Unit at the end of 2021, which resulted from the amalgamation of the former RDS and Bentec Business Units.

Our Land Drilling business unit owns and operates a high-quality fleet of 84 land drilling rigs at the end of 2022 ranging from highly mobile units to large rigs capable of drilling extended reach wells. This reflects the fleet size after the removal of 24 rigs due to the disposal of the Nigerian business and abandonment of the Russian business offset by the additional rigs acquired during the acquisition of Saipem's onshore drilling business.

Our Offshore Services business unit is one of the world's largest international platform services operators with approximately 26 client owned platform rigs under management. In addition, given our experience of operating jack-up rigs in marine environments, we also operate 2 mobile assets owned by one of our clients.

Our Kenera business unit has three dedicated segments covering innovative services, technology and engineering, and manufacturing that are operated through our drilling rig and engineering specialist, RDS, which is the world's leading rig design specialist and Bentec, which is one of the world's leading manufacturers of innovative energy infrastructure and components for hydrocarbon and clean energy markets. As part of Kenera, both RDS and Bentec, have started to operate within the energy transition market and are developing products, projects and solutions to address opportunities across energy optimisation, electrification, battery energy storage, hydrogen production and wind .

In carrying out our day to day business we believe in operating the KCA Deutag Way which defines the type of group that we are and will continue to be for our people, our clients, the environment and the communities in which we operate. The KCA Deutag Way is the combination of tried and tested policies and procedures combined with key behaviours that support our six Core Values.

Our six Core Values are:

**Health & Safety.** We believe that all our employees have the right to work in an accident-free workplace and have the responsibility to create and maintain a safe environment. At the end of 2022, we achieved a total recordable incident rate of 0.27 per 200,000 man-hours worked. There has been a slight decrease in performance since 2021 where we had recorded a rate of 0.20. We continue to strive to improve our behaviours, systems and processes with the aim of having zero incidents.

**Valuing All People.** We provide more than 9,500 talented people with training and development in their respective roles. We continue to invest in improved systems and processes to track and monitor competence and develop our people.

**Performance Improvement.** The KCA Deutag Way drives continuous improvement as we strive to make each well we drill better than the last. We proactively measure our performance well by well and seek ways to make and recommend improvements.

**Environmental Stewardship.** Our processes and policies aim to minimise the impact of our operations on the social and physical environments in which we work.

**Business Integrity.** The KCA Deutag Way preserves business integrity under all circumstances with robust policies and procedures and a 'zero tolerance' approach.

**Sustainable Growth.** We aim to achieve profitable and long-term sustainable growth with a culture of financial discipline across the Group. We aim to invest wisely in new projects which need to achieve key Return on Investment parameters and to operate efficiently with a robust cost management culture.

We believe that if we focus on these six Core Values, operate the KCA Deutag Way and deliver meaningful results from our *#enhancethebrand* improvement initiatives, we have a sustainable business model that will continue to deliver successful financial performance and strong customer relationships.

As a global organisation, our Core Values are centric to our responsibilities to our people, customers, investors, the communities where we live and work, and the environment. This culture of care will be vital to building a sustainable future for our people, our business and our planet.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

Through our collaborative approach and our #enhancethebrand strategic journey, we still continue to take action to #drivetozero incidents, optimise and upgrade our business, focus on returns and growth, and build a resilient, smart and sustainable platform that thrives in the face of change to deliver value to all our stakeholders.

#### Operating Review

##### Land Drilling

KCA Deutag's Land Drilling business unit delivered average rig fleet utilisation of 61% in 2022, an increase from 55% in 2021. Utilisation remained fairly consistent throughout the course of the year. Following the first phase of the Saipem acquisition at the end of October, which added 31 assets to the fleet, utilisation rates increased to 69% in November and December 2022. The war in the Ukraine and compliance with the resulting sanctions on Russia led to the decision to exit the business in Russia by abandoning all of the assets in the country and cutting off all links to the business. Elsewhere, we successfully disposed of the Nigeria business, consisting of 5 rigs, at the start of 2022. Demand in Oman, Kuwait and Saudi Arabia remained strong with all rigs in Saudi Arabia that were stacked by the client during the COVID-19 pandemic being reactivated by the end of the year. We also saw increasing demand in Europe with utilisation strengthening from 20% to 83% driven largely by the energy crisis. However, in Pakistan, Algeria, and Iraq all of the rigs were stacked at the end of the year, although tendering activity has started to increase in these markets. Throughout the operations there continues to be a strong focus on cost control to manage increasing procurement costs seen globally.

##### Middle East/Far East

Following the acquisition of the Saipem onshore drilling business at the end of October, Saudi Arabia has now become the largest Land Drilling operation with 36 rigs and a very significant level of contract backlog. For the legacy business, the remaining two of the three rigs put on unpaid standby by the client during 2020 started up in May and October 2022. All eight rigs of the legacy KCA Deutag business in the Kingdom were fully utilised at the end of the year. Of the 28 rigs added to the fleet with the acquisition, all were operating by the end of the year. Historically contracts in this market have been renewed when they reach their conclusion and there are positive signs that this will continue to be the case.

Oman, formerly our largest Land Drilling market, averaged 70% utilisation for 2022, which is a reduction from 74% in the previous year. The continued lack of demand for the heavier (2,000 hp) rigs, which are mainly employed in drilling for gas, was the main reason for this. Utilisation of the smaller rigs which focus on oil production wells remained strong. We also won a Letter of Award to build and deploy 4 new light drilling rigs on long-term ten-year contracts in Oman and construction of these units is underway at our Kenera facilities. Rigs under contract continue to secure contract extensions and a new contract was awarded for the T-66 to return to work.

Recovery of utilisation in Iraq remains challenging after the 2020 downturn. We contracted one rig for a drilling campaign in Northern Iraq (Kurdistan), although this was paused after just five months due to a change in the client plan. Mobilisation activities are underway to reactivate this rig back to work under this contract in early 2023. Overheads have been significantly reduced in Iraq whilst utilisation is reduced.

In Kuwait we continue to drill successfully with both rigs supplied by our partner for the contract with Kuwait Oil Company. KCA Deutag leases and operates these rigs.

The utilisation and outlook for Pakistan was healthy at the start of 2022 with all three rigs in operation with three different clients as well as a long-term rental contract for a BOP. Unfortunately, the contract for the T-202 and the BOP rental ended in Q2 with a second rig then ending its contract in August 2022.

##### Europe

The European business increased activity through the course of 2022, such that by year end only one of the 6 rigs in the region remained stacked, and this is being reactivated for a project in 2023. Tendering activity also remains high for both hydrocarbon and geothermal projects, although margins are being challenged with increasing competition for experienced rig crews across the continent. Notable during the year was the award of a long term contract on an innovative geothermal project which secures utilisation for 1 year for 2 rigs from the middle of 2023. Additionally, a rig was mobilised to Albania during the course of 2022 for a long-term contract and is now successfully drilling the first well of the campaign.

##### Russia

Prior to war-related sanctions being imposed, the Russian business remained strong with an average 88% utilisation. The business was abandoned completely in July 2022 in line with the requirements of the sanctions regime and no longer forms part of current or future plans.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

#### Offshore Services

##### North Sea

While it has been a challenging year for cost inflation, retention and hiring, activity in the UK North Sea has remained stable in 2022, with five of ten platforms operating throughout the year with a range of clients. In addition to this maintained activity level, Harbour and Total have exercised options on their contracts, extending them out for a further one to two years.

In Norway during 2022, the Equinor fixed platforms contract was extended until September 2024, with four out of five of those platforms operating in 2022, while the pipepool management contract with Equinor came to end in November 2022. The two 'Cat J' jack-up rigs, also with Equinor, completed their first Special Periodic Surveys (SPS) in 2022 and continue to operate. The Ringhorne fixed platform also operated throughout 2022 which is under contract with Vår Energi.

##### Caspian

Throughout 2022 there continued to be a high level of activity and strong performance with bp in Azerbaijan. Procurement and warehousing services continued into its third year, along with preparations for manning the new ACE platform, that is expected to start operations in 2023.

##### Sakhalin

In 2022 two of the three platforms in Sakhalin were operating until the business was abandoned in July.

##### Angola

The Kizomba TLP-A platform was successfully reactivated and started operations in April 2022 with ExxonMobil.

##### Canada

There was a high level of activity and a strong performance for the Hebron Platform in 2022, which is under contract with ExxonMobil. While moving into a planned maintenance period in October 2022, crew levels are expected to be maintained and the platform is planned to be operational again in Q3 2023.

#### Kenera

At the end of 2021, we established the Kenera Business Unit, which combined our Engineering and Manufacturing Businesses.

##### Manufacturing

Through our Bentec brand, Q1 and Q2 saw the completion of construction, and acceptance of the last 4 drilling rigs of the 7 rig order from our Russian customer INK. Design and construction activity was also commenced in Germany and Oman on rigs for the Land Drilling business which will operate for PDO under the four rig Letter of Award.

As a result of the current geopolitical situation, all Russian business was stopped from July. While this had an impact on order backlog of Top Drives, we have secured orders in the Middle East from various clients.

In Q4 we delivered our first Battery Energy Storage System (BESS), which aims to reduce Co2 emissions, with more orders in the pipeline.

During 2022 we entered into a Technical Collaboration agreement with CPH2, and hope to start production of Membrane Free Hydrogen electrolyser units in the next 12 months.

##### Services

Despite the loss of the Russian business from July 2022, Services has remained stable in our core markets and has started to grow as we expand into Saudi Arabia.

##### Technology and Engineering

Our RDS brand, continued to see a steady performance in both greenfield and brownfield via projects such as the Kizomba B reactivation and NOV ACE platform.

During 2022 our Norway business worked on an energy optimisation project for the CAT-J rigs as well as smaller CO2 emissions recording and reduction projects.

We continue to build and maintain relationships with key clients, specifically around the companies bidding within the Scotwind auctions, whereby the current capacity of offshore wind in Scottish waters is expected to increase from around 2GW to 25GW of offshore wind, and hope to partner with companies to form strong alliances.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

#### **Principal Risks and Uncertainties**

As with any business, the Group faces a number of risks and uncertainties in its day-to-day operations. The principal risks and uncertainties, and mitigating actions that are employed by the Group to manage those risks, are noted below. During the year the Group continued to apply an enterprise risk management framework to drive the ongoing identification and monitoring of risks and to develop mitigation strategies to manage those risks. The methodology used to identify key risks is both a bottom up approach from the country and functional organisations as well as a top down review of the key strategic risks.

#### **Asset Integrity and Compliance Regime**

We are subject to increasingly stringent laws and regulations relating to environmental protection as well as being exposed to potentially substantial liability claims due to the hazardous nature of our business and the businesses to whom we provide services. An accident or a service failure can cause personal injury, loss of life, damage to property, equipment or the environment, consequential losses or the suspension of operations or possibly the termination of a contract. Furthermore, we may be liable for damages resulting from pollution both on land and in offshore waters. During the last few years, we have also seen many of our customers seek to pass on risk to their suppliers which may have historically been borne by the operator.

We have put in place robust processes and procedures to support each of the principal activities which we undertake. We seek to employ personnel with the relevant experience, qualifications and competencies and have the appropriate tracking mechanisms to ensure that our staff have demonstrable competencies for each of the tasks that they perform. We have a governance structure which ensures that our compliance with processes is validated periodically and that a culture of continuous improvement is reinforced. We have robust reporting mechanisms to report safety and environmental data at each operating unit and escalation processes to investigate incidents. We have a pre-defined contracting strategy with our clients setting out what exposures are acceptable and escalation mechanisms where we are asked to agree to contractual positions which fall outwith these set parameters. We have a comprehensive package of insurance coverage to further protect us from potential claims or incidents.

As well as our personnel, the provision of assets such as drilling rigs is a key component of our product and service offering. We offer a range of drilling rigs from new state of the art rigs designed for specific climates or for speed of movement, through to older assets which have been in operation for a number of years. These assets need to be regularly maintained and key components replaced over time to maintain the asset integrity of our equipment. We maintain a team of personnel specialised in maintaining these assets to ensure that they provide our clients with safe, effective and trouble-free operations with low levels of non-productive time. To remain competitive in the long term we must continue to invest in our assets and refresh our rig fleet on a periodic basis.

Compliance requirements continue to increase across the broad range of territories in which we operate. For example, during the past few years, we have seen new data privacy and data protection rules with large potential fines and other sanctions for non-compliance. We seek to address any new compliance requirements proactively using both our own internal resources as well as external advice.

#### **Business Continuity and Sanctions Risk**

Many of the key markets in which we operate are potentially at a higher risk of conflict and political upheaval. Over the past few years we have witnessed the impact of conflict in Ukraine, in Azerbaijan with neighbouring Armenia, terrorist incidents in Algeria and Saudi Arabia and the threat of terrorism or unrest in Kurdistan and Iraq. In addition, there is the potential threat of political and economic sanctions against certain sovereign states which by their very nature can be both unpredictable and potentially disruptive. Over the past 12 months, for example, we have seen significant sanctions imposed against specific types of business activities in Russia from the EU, the UK and the US. Following a review of how to proceed the Group took the decision to exit its Russian businesses during the course of 2022.

The impact of COVID-19 was also significant over recent years with ever changing restrictions being placed upon the movements of people to minimise the spread of the virus in all countries as governments attempted to limit the number of people affected, to manage the capacity of health services and minimise the impact upon local economies. The Group has developed procedures to seek to protect our personnel during any outbreak including providing additional testing and PPE. The development of vaccines has brought an improvement but the emergence of new variants could bring a return of restrictions and challenges to operate.

Certain markets in which we operate are also susceptible to governmental and political influence around contract award, local content requirements and bidding processes which may not always be transparent. We maintain robust processes to ensure that our staff have been trained to follow our own approved guidelines and ethical practices.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

Before we enter a new country, we carry out risk assessments and third-party security reviews. To mitigate risks once operating in each country we have a robust emergency response system to ensure that we are able to move our personnel rapidly and safely in the event of an unplanned incident. We work with specialist third parties to maintain a good understanding of the security risks and how to react in each set of circumstances. Where possible we seek to limit our exposure to higher risk regions such that an emergency in one location does not have a material impact on the ability of the Group to continue operating. In the past we have been able to rapidly redeploy personnel when required and reduce costs in impacted countries to a minimum. We have access as required to specific legal and advisory expertise to support regulatory compliance in all our operations across disciplines such as export control and adherence to sanctions. We work with various governmental authorities to get assistance with ensuring compliance and the appropriate awareness of rules and regulations.

#### Changes in the Market for Drilling and Engineering Services

Our core operations continue to be focused on delivering drilling and well engineering services to the oil and gas industry. We believe we provide high-quality services to our clients supported by a skilled workforce and high-quality assets. However, the technology, commercial models and ways of delivering services continue to evolve.

In North America there has been an increasing commoditisation of drilling services with consequent reductions in pricing and increased competition from providers offering very similar services. Although the position in North America is different to the rest of the world, given the relative ease of access to oil and gas reserves through good transport infrastructure, certain of our other markets may move in a similar direction in the future. In the eastern hemisphere we have seen increasing competition from lower cost providers such as Chinese companies who are able to offer low-cost services and over time have provided an improving quality of assets and personnel.

As a result of inflationary pressures on the Group's cost base, remaining competitive against low-cost participants has been a greater challenge for the Group in 2022 and has also put pressure on operating margins across our Business Units.

In a number of markets, we are also seeing the way in which our customers are procuring services change. Integrated service companies, who can provide a full spectrum of service offerings, are securing contracts as a one stop shop for their clients. Other service companies are broadening the scope of their offerings potentially threatening work which KCA Deutag may have traditionally provided in the past.

Current trends across the oil and gas industry, and indeed our drilling peers, show a movement towards greater use of IT, drilling optimisation software and operational technology data to gain better insight into operating performance, to drill wells more efficiently or to identify improvement opportunities. These tools and data driven insights can be used to identify cost savings, efficiency gains and revenue opportunities which could have a tangible impact on our financial bottom line. Increasingly clients are placing maximum age limits on rigs as well as looking for higher specification and technology supported rigs. This would be a risk to the business if we were to lag behind our competitors in the provision of digital services or if we are not able to recover the investments made to develop these solutions through the commercialisation of our digital offering.

In response to these threats we must ensure that we offer a compelling reason for our customers to procure our products and services through providing excellent service quality, which is cost competitive and industry leading. With the launch of the Kenera business unit, we believe we have enhanced our proposition to customers. We have to be a Group that is easy to do business with, which has a flexible commercial model and is able to form new alliances that can be mutually beneficial.

We also have to continually challenge ourselves to look at new ways of working, to develop new service offerings and to look at new sourcing models as markets continue to mature and evolve. A high focus on sourcing and costs in general is now particularly important as many of the markets in which we operate are seeing the return of significant levels of inflation and extended delivery lead times. The supply chain organisation is therefore spending more time with the operations, commercial and finance teams to plan, source and negotiate supply agreements as favourably as possible.

#### Credit Related Risk

Although many of our customers have historically been blue chip international oil companies, we also work for National Oil Companies, as well as independent operators. Because of the significant capital expenditure requirements for our clients to develop oil and gas assets, and the cyclical nature of commodity prices, some of our clients can become financially distressed. We have also seen some sovereign states heavily dependent upon oil and gas struggling to balance their budgets and consequently being unable to access sufficient foreign currencies such as US Dollars to settle liabilities. In some cases, local currencies have become illiquid and very difficult to convert to other currencies.

In some markets, particularly those where we may have a low level of activity or only a single rig operating, it can be difficult to consistently make acceptable levels of return. In some markets, we also experience tax and other local laws and rules being inconsistently applied which can result in additional and unexpected costs of doing business. In each of the countries in which we operate we are potentially subject to changes in tax laws, treaties or regulations which could have a material impact on our business.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

We seek to mitigate credit risk through continuous monitoring of exposures to individual clients as well as overall exposure to particular geographies. Financial credit checks are required to be performed on new clients prior to tendering submissions and where possible we will seek payments in advance of services or protection via bank guarantees and similar mechanisms. We have robust escalation processes to chase overdue accounts including regular reviews with our senior management team. In some cases, we are able to leverage our position to push for the release of payments but where this is not possible early and robust legal processes are used to accelerate a conclusion to the process. Negotiating power can be limited once a contract has ended and there have been a few cases where payment of final invoices has taken longer than expected to resolve. We are also sometimes approached by customers for extended credit terms which we negotiate in order to obtain an acceptable resolution. We also structure contracts to be paid in US Dollars where possible. We seek appropriate professional advice before entering new markets and have internal review and approval mechanisms to challenge the returns we expect on new contracts. In some cases we have decided to exit markets where we have been unable to make a consistent level of acceptable return.

#### Currency Related Risks

We carry out our operations in a number of countries and are exposed to currency risk as those currencies become stronger or weaker against the US Dollar. Some of the countries in which we operate are heavily reliant on oil and gas and have historically seen significant exchange rate volatility as a result of commodity price variations. Our financial results are presented in US Dollars and these results are sensitive to either a relative strengthening or weakening against the US Dollar of the major currencies to which we are exposed. In general, we prefer to be paid in US Dollars but there are many markets where this is not possible and we also need to consider costs that will be payable in local currencies.

The Group employs a number of mechanisms to manage elements of exchange risk at a transaction, translation and economic level. Where possible we will seek to naturally hedge our exposures through matching currency revenue and expenditure which we are able to do by adjusting the proportion of our revenues paid in either US Dollar or local currency. In some situations, we have been able to hedge our Balance Sheet exposure by matching local currency assets with local currency liabilities. Where this is not possible, we may seek to hedge our currency exposures through the purchase of forward contracts. In terms of the overall economic risk we monitor our exposure to all of the key markets in which we operate. We aim to maintain a diversified geographical exposure without being overly reliant on any single country of operation.

Summaries of our geographical exposure and the sensitivity of our results to foreign exchange movements are included in Notes 5 and 21 to the financial statements.

#### Cyber Security Risk

Cyber security risk has been increasing over recent years due to the increasing prevalence of cyber-attacks around the world. However, as a result of the cyber-attack we experienced at the end of 2021, cyber security came to the forefront of our business and additional security measures have been implemented to enhance our environment to minimise the potential of such an attack happening again. We engaged with third parties who worked on projects through 2022 to strengthen our IT environment both from a security point of view as well as business recovery planning. Additional security software was purchased and implemented as well as rolling out training to staff in this area.

Our operations continue to be increasingly dependent upon various IT systems, especially with an increased number of employees working from home. Threats to IT systems associated with cyber security risks continue to grow and evolve including targeted attacks through viruses, malware, phishing as well as potentially by employees within our network. An increased area of interest and risk is the requirement to make key rig control systems remotely accessible and therefore a potentially bigger target for malicious activities with larger impacts (e.g. financial, reputational, environmental and safety). The risks associated with cyber security include the loss of revenue, key back office systems, penalties for loss of sensitive personnel and customer data, as well as a potential loss or misappropriation of funds, damage to our reputation and potential for litigation.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

#### Energy Transition Risk

Oil as an energy source is going through a period of major change where it will eventually no longer maintain its dominant position and over time will be replaced with alternative energy sources such as gas, hydrogen, nuclear, solar, wave and wind. The political and public awareness focus on this has increased driven by rising concerns around climate change. It is driving public opinion and consumer decision making which is increasingly influencing business and political policy. Over the medium to long term this will mean a reduction in global drilling activity, although it is expected that this will take longer in our core Middle Eastern markets.

Investors are now increasingly focusing on a company's approach towards policies on Environment, Social and Governance (ESG). There is a strong push from many clients towards environmental sustainability, e.g. reducing carbon footprint, eliminating waste, recycling and alternative energy sources. In 2022 we issued our first Sustainability Report which focused on measuring our corporate carbon footprint and using this baseline data to inform our Sustainability Strategy. Annually, we will issue an update to this report.

To be sustainable as a business in the medium to long term and ensure access to markets, business opportunities and investors it is becoming essential to diversify into the wider alternative energy market. The risk of not doing this would be to impair our ability to have a profitable and sustainable long-term future as a business.

#### Ethics and Violation of Applicable Anti-Corruption Laws

We are an international business with operations in developing countries and in countries which are high on the Corruption Perceptions Index published by Transparency International. Violation of anti-corruption laws may result in criminal and civil sanctions and could subject us to other liabilities in the UK, the US and elsewhere. Legislation in the areas of ethics, bribery and tax evasion continue to evolve and place increasing responsibility on businesses to behave to a very high standard supported by the appropriate processes, controls and other safeguards.

We have developed an ethics and compliance programme which is supported by policies and procedures designed to assist our compliance with applicable laws and regulations and have trained our employees to comply with such laws and regulations. We have enshrined business integrity as one of our six Core Values and foster a compliance culture within our operations. We have put in place appropriate assurance processes to monitor compliance and seek to continuously improve our systems of internal controls and to remedy any weaknesses.

#### Financial and Working Capital Risk

Our ability to service our debt and other financial obligations depends in large part on the levels of cash flow generated in our business. A surplus of cash would allow the Group to grow and manage the changes in business activity levels over time.

Where possible the Group seeks to secure long term debt financing which provides access to funds for a number of years into the future. The Group has sought to diversify its access to debt markets away from wholly traditional bank debt towards institutional debt by way of the corporate bond markets. Periodic reviews of fixed rate and variable rate interest rate exposures are also made with the aim of maintaining a balance between the two.

From time to time, we may need to access the capital markets to obtain long term and short-term financing. Our ability to access these financial markets could be limited by, amongst other things, oil and gas prices, our capital structure, credit ratings issued on our debt by credit rating agencies, the overall health of the global oil and gas market or the global economy in general. Whilst we try to access markets when conditions are favourable there is no guarantee of our ability to access these capital markets in the future.

Careful monitoring of cashflows and forecasts equips the business with the necessary analytics to monitor the situation and deal with any underperformance using tools such as further cost savings or capex reductions. The Group have continued to utilise and expand upon a number of 'self-help' mechanisms, including, but not limited to proactive working capital management and detailed monitoring of EBITDA forecasts, inventory optimisation, cost reduction initiatives and weekly cash forecasts and cash calls. All significant growth capital expenditure is approved by the Board.

#### Human Capital Risk

All of the services and operations which we perform require a diverse highly skilled and well-trained work force to provide the front-line services, as well as to support the fundamental business processes and control mechanisms. Across the oil and gas industry generally there has been an aging of the workforce which has been compounded in recent years by the industry downturn and a large reduction in the number of new recruits entering the sector. Continued access to a diverse pipeline of talent to be able to provide skilled staff and future management resources for the Group are critical.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

During 2022 the Group has continued to see an increased focus on nationalisation in several of the markets in which we operate. The business must also position itself to source and deploy the right skills and experience to support operational growth as we target opportunities in the energy transition space.

Over the past few years, the Group has invested significantly in enhancing our processes and systems around human resources. We seek to provide our staff with a dynamic and supportive work environment and to remunerate them fairly in each of the markets in which we operate. Where the employees have the appropriate skills, ability and desire to progress we have put in place the necessary management tools to help them pursue their career ambitions with KCA Deutag. We have succession planning tools to assist in identifying and developing a diverse future talent pool and to help to ensure that we have the appropriate management resources to lead the Group in the future.

#### Local Market Risk

All the markets in which we operate continue to change and evolve as local political and economic influences impact the industry in which we operate. Globalisation is slowing down and we are seeing increasing protectionism across the globe. In certain core markets, such as in the Middle East, we have also seen an increasing trend and pressure from governments to increase the local content of the services which we provide, both in terms of the provision of local skilled personnel as well as the focus on in-country value through the use of local suppliers or supply chain for the provision of goods or services. Where this can be achieved in a planned and structured way it can have benefits both for the local economies in which we operate, as well as allowing us to provide a more efficient and effective service to our clients.

We have a good track record of training and developing local staff in many of the countries in which we operate and so far as possible sourcing equipment locally, where this is cost effective and quality can be assured. As a result we have achieved a high rate of staff nationalisation in the markets in which we operate.

In some of our markets we have seen increasing influence from National Oil Companies where governments have sought to secure greater control and increased future participation in the economic benefits of their oil and gas assets. These companies have started to change the nature of the relationships with service companies and increasingly look to work through joint ventures or alliances which are also often closely aligned to local content. We will have to be prepared to work with these new models if we are to retain and grow our future business in these locations.

#### Merger and Acquisition Risk

As part of our growth strategy, we regularly identify and evaluate potential acquisition opportunities. Should we decide to acquire a business, there can be no assurance that such acquisition will not have material adverse consequences. Acquisitions we have already made, or future acquisitions, are subject to the risk that they may not be integrated successfully into our operations and may not achieve our desired financial objectives. Any acquisition of a business entails numerous operational and financial risks. These include but are not limited to higher than expected acquisition costs, the possibility that we may not have identified appropriate acquisition targets or complete future acquisitions on satisfactory terms or realise expected synergies or cost savings within expected timelines. There may also be unforeseen expenses, delays or conditions imposed upon the acquisition, including regulatory approvals or consents. Exposure to unknown liabilities (including, but not limited to liabilities in relation to tax and environmental regulations and laws) as well as difficulty and cost in integrating the operations and personnel of acquired businesses with our existing operations and personnel represent potential risks in any transaction. Management's attention could be diverted away from our day-to-day business. Relationships with key suppliers or customers of acquired businesses could be impaired due to changes in management and ownership as well as a result of restructuring logistics and information technology systems. With any acquisition there exists a risk of the inability to retain key employees of acquired businesses along with difficulty in avoiding labour disruptions in connection with any integration, particularly in connection with any headcount reduction. Additional substantial debt may be incurred, the cost of servicing which may affect our ability to service our existing short-term and long-term liabilities or otherwise negatively impact our cash flows. The occurrence of any such event in connection with an acquisition could adversely affect our business, financial condition and results of operations.

#### Oil and Gas Market Risk

The Group operates in the oil and gas sector which is a market driven, cyclical industry where activity is closely correlated with the market prices for oil and gas. Changes in these prices may lead to an increase or decrease in our activity levels. In recent years, the global COVID-19 pandemic had a negative impact on oil prices, the global economy, market conditions, customers and governments. This had a material negative impact on our business as almost all customers either reduced their level of operation or sought pricing discounts, although we have in recent times seen some recovery. Often in these circumstances we also see an increase in litigation and customer claims as clients attempt to minimise their costs and manage budgets.



## KCA Deutag Alpha Limited

### Strategic Report (continued)

We mitigate the impact of this risk through endeavouring to secure longer term contracts with our clients where possible, together with contractual protection for early termination. Many of our clients own oil and gas assets where the lifting costs are at the lower end of the spectrum and hence are still able to make positive returns even at lower energy prices. Most of our activity is in the eastern hemisphere where the economic cycles have historically been less volatile than in the western hemisphere. Where possible we employ a flexible resourcing model so that we are able to change manning levels as activity changes. Each of our business units has different exposure and sensitivity to changes in energy prices with the Kenera business being the most susceptible to reduced activity as their work is generally linked to new capex spend by our clients.

We operate a governance structure which aims to ensure that potential risks on contracts and projects are identified through review and challenge prior to execution. Our internal commercial and legal processes ensure that deviations to standard contracting principles must have the appropriate review and approval prior to commitment. This, together with robust contract assurance programmes and effective record retention, provides us with the ability to rigorously defend commercial claims as and when they arise.

#### Compliance with section 172 of the Companies Act 2006

By working in a manner which promotes the Group's six Core Values and behavioural framework, the Group's Directors have performed their duties with a view to promoting the success of the Group for the benefit of its members and can confirm that they have considered the following when acting as a Director, as required by sections 170-177 of the Companies Act 2006:

- The likely consequences of any decision in the long term – decisions are made with a view to seeking to improve financial and non-financial operation of the Group. Decisions taken in relation to strategic, long-term matters are taken with a view to achieving positive outcomes under the Sustainable Growth and Performance Improvement Core Values;
- The interests of employees – decisions are taken which look to encourage staff retention and development. Such decisions are taken with a view to promoting the Valuing All People Core Value;
- The need to foster relationships with suppliers, customers and others – the Group's Directors have empowered Group Management to seek to build positive relationships with stakeholders, based on mutual trust and clear communication of expectations. Such behaviours principally promote the Business Integrity and Sustainable Growth Core Values;
- The impact of operations on the community and environment – the Group's Directors and management make decisions to promote the Group operating in a manner which has positive health, safety and environmental impacts wherever possible. Also, Directors have sought to promote health and well-being within the workforce. The main Core Values which are promoted here are Health & Safety, Business Integrity and Environmental Stewardship;
- The desirability of the Group maintaining a reputation for high standards of business conduct – the Directors promote the Group operating in a way which demonstrates strong business ethics in everything it does, both in terms of within the Group and in its dealings with external stakeholders. This is embodied in our Business Integrity Core Value;
- The need to act fairly as between the members of the Company – based on the above, the Directors look to act fairly, taking into account the interests of all members at all times.

On behalf of the Board of Directors

J Elkhoury  
Chief Executive Officer, KCA Deutag Alpha Limited  
30 March 2023



## KCA Deutag Alpha Limited

### Corporate Governance Report

For the year ended 31 December 2022 the Group has applied the **Wates Corporate Governance Principles for Large Private Companies** (published by the Financial Reporting Council ('FRC') in December 2018 and available on the FRC website).

The Group continues to have a strong focus on Corporate Governance and seeks to comply with the Wates Principles where practical and possible.

#### Principle 1 – Purpose and Leadership

With over 130 years of experience, KCA Deutag is one of the world's leading drilling, engineering and technology companies working onshore and offshore with a focus on safety, quality and operational performance.

We operate approximately 114 drilling rigs, either directly or on behalf of our customers, employing people in Africa, Europe, the Middle East, the Caspian Sea and Canada.

Our aim is to be recognised as the world's most successful drilling, engineering and technology company through measurable performance improvement, delivering safe, effective and trouble-free operations.

We have a guiding behavioural framework and six Core Values which define our purpose, goals and behaviours. This is reinforced with communication and training for employees on how they can contribute as well as the expected behaviours at differing levels within the Group. This builds on the Group's existing commitment to good governance and social responsibility. The Group promotes, amongst many other things, positive health, safety and wellbeing for all its staff; ethical business practices; working with local community initiatives; and a culture of environmental stewardship in all its activities.

#### Principle 2 – Board Composition

The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual director effectiveness.

The Directors have equal voting rights when making decisions, although certain matters are reserved for the Group's ultimate shareholders as defined in the investment agreement between the ultimate parent company and its shareholders. All Directors have access to the advice and services of the Group General Counsel and may, if they wish, take professional advice at the Group's expense. Under the investment agreement, the Group's major shareholders are also able to appoint observers to attend Board meetings on their behalf.

The KCA Deutag Alpha Limited Board is comprised of independent non-Executive Directors as well as the Group's Chief Executive and Chief Financial Officer. The size and composition of the Board is appropriate to a Group of our size and complexity. A biography for each member of the Board can be found on the Group's website: <https://www.kcadeutag.com/whoweare/Pages/Meet-the-leadership-team.aspx>

The Executive Management Team ensures that the values, strategy and culture are aligned, implemented and communicated to the workforce most notably through regular Executive Management Team meetings as well as Town Hall webinar presentations that are available to all employees worldwide to attend.

We are committed to making the Group an ever-more inclusive environment, thereby fostering a more diverse workforce which should further increase diversity at the most senior levels.

#### Principle 3 – Director Responsibilities

##### Accountability

Good governance supports open and fair business, ensures that the Group has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate knowledge and industry experience.

The Board has a programme of meetings every year and each Board member has a clear understanding of their accountability and responsibilities.

The Directors and Committee members are asked to declare their interests at the start of each Board/Committee meeting so as to avoid any conflict of interest issues. As part of the annual external audit, each Director is required to complete a Related Party information request, in which they disclose any directorships and/or substantial shareholdings they may have in non-Group companies.



## KCA Deutag Alpha Limited

### Corporate Governance Report (continued)

#### Committees

##### Audit Committee

The Committee's primary concerns are the integrity of the Group's financial statements; the effectiveness of internal controls; enterprise risk management; the performance of the internal audit function; the performance and independence of the external auditors; and the Group's compliance with legal and regulatory requirements. The audit committee also receives reports of compliance, ethics and whistleblowing matters.

The Committee has clearly defined terms of reference which are reviewed annually and outline the Committee's objectives and responsibilities relating to financial reporting, internal controls, risk management as well as overseeing compliance with legal and regulatory requirements and the application of appropriate accounting standards and procedures. Specific responsibilities include reviewing and recommending for approval the annual financial statements, reviewing the Group's accounting policies, reviewing the effectiveness of internal controls, internal audit and risk management processes and reviewing the scope, results and terms of engagement of the external audit.

The Audit Committee meets quarterly and more frequently if required.

##### Remuneration Committee

The Remuneration Committee also has clearly defined terms of reference which are reviewed annually. The Committee, which meets at least three times a year, is responsible for making recommendations to the Board concerning the Group's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. In doing so, the Committee takes advice from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking, drawing on evidence from across the sectors in which the Group operates and from other sectors. Pay is aligned with performance and taking into account fair pay and conditions across the Group's workforce. The Group's remuneration policy for executives is consistent with companies of a similar size and complexity, as well as other companies operating within the oil and gas sector. The Directors' remuneration is disclosed on page 77 (note 27).

The Committee's primary objective is to set remuneration at a level that will enhance the Group's resources by attracting, retaining and motivating quality senior management who can deliver the Group's strategic ambitions within a framework that is aligned with shareholder interests.

The Committee firmly believes that retaining the best people on the right remuneration, with an emphasis on performance-related pay, strengthens the Group's ability to face challenges emanating from economic and market change, and to deliver long-term sustainable value for all stakeholders.

##### Ethics Committee

The Group's Ethics Committee is chaired by the Head of Legal and meets on a quarterly basis. Attendees are the Chief Executive Officer, Chief Financial Officer, Business Units Presidents/Senior Vice Presidents, Senior Vice President, HR and Shared Services and the Group's Head of Operational Integrity and HSSE. The quarterly meetings cover a standing agenda around five key areas, namely: Anti-Bribery and Corruption, Third Party Risk Management, Export Controls and Sanctions, Emerging Legislation and Investigations. A summary of matters discussed by the Ethics Committee is also discussed at the Audit Committee.

##### Risk Management Committee

The Risk Management Committee, consisting of the Chief Executive Officer, Chief Financial Officer, and Group General Counsel, supported by business unit and functional leads, ensures that inherent and emerging Group risks are identified and managed appropriately and in a timely manner. The Committee meets on a weekly or as required basis to deal with any specific risk-related items and to consider investment decisions on new projects and contracts.

The Board remains satisfied that the composition of the Committee strengthens the Group's approach to risk management and mitigation and that the Committee remains focused on the key risks affecting financial and operational performance.

To support the Committees' work and to enhance the cohesion of the Group's risk management approach, including the cascade of Group-wide messages and lessons learnt, heads of business units and functions attend meetings as required to discuss their respective risk management and mitigation plans.

##### Executive Management Team

The Board delegates authority for day-to-day management of the Group to the Executive Management Team under the leadership of the Chief Executive Officer according to an agreed Group Authorisation Matrix.

The Executive Management Team meet regularly and consists of individuals responsible for the strategic business units and key functions. A biography for each member of the Executive Management Team can be found on the Group's website: <https://www.kcadeutag.com/whoweare/Pages/Meet-the-leadership-team.aspx>



## KCA Deutag Alpha Limited

### Corporate Governance Report (continued)

The Executive Management Team's duties include formulating strategy proposals for Board approval and ensuring that the agreed strategy is implemented in a timely and effective manner.

#### Integrity of Information

The Board receives regular information on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, and market conditions, all supported by Key Performance Indicators (KPIs).

Key financial information is collated from the Group's various accounting systems. The Group's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by Ernst & Young Limited on an annual basis, and financial controls are reviewed by the Group's internal audit function. Other key information is prepared by the relevant internal function. Processes for collecting data, as well as the reporting of that data, is reviewed on a cyclical basis by the Group's internal audit function with quarterly reporting provided to the Audit Committee.

#### Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk.

##### Opportunity

Long term strategic opportunities are highlighted in the annual Group budgeting and business planning process which results in the budget and five year plan being presented to the Group Board each year. The Board seeks out opportunities drawn from the business as well as those presented to the shareholder group. Short term opportunities to improve performance, resilience and liquidity within the Group are collated through the weekly meetings of the Risk Management Committee.

##### Risk

The Group has an Enterprise Risk Management framework which consolidates the risk registers across the Group for any changes in underlying conditions. Risk registers are reviewed and updated twice-yearly by the Business Units and corporate functions to ensure they reflect the current risks facing the business. Annual presentations of the most significant risks are made by the Business Units and corporate functions to the Risk Management Committee.

Management continues to refine and enhance the Group's risk management framework and risk registers and works to ensure consistency across the Group. The Group's key operational risks and mitigations are outlined in the Strategic Report (on pages 6 to 15).

The Group's Strategic Risk Report which is presented to the Audit Committee and the Board on an annual basis includes key risks that are monitored by the Risk Management Committee and the Board. The Group's systems and controls are designed to manage, rather than to entirely eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not an absolute assurance against a risk materialising.

##### Responsibilities

The Group has developed an Operating Framework based on its World Wide Standards which encapsulates the Group's operating rules, processes, best practice standards and delegated authorities.

Specifically, the Group Board approves an annual Budget and Business plan, any contract above a certain value or any transaction that requires an unbudgeted allocation of capital (as described in the Group Authorisations Matrix), to ensure that the appropriate level of diligence has been performed in understanding the obligations, risks and terms of the contract. This enables the Group to protect the integrity and long-term sustainability of all its businesses, to meet its strategic objectives and to create value for all its stakeholders.

The Group's Risk Management Committee performs an oversight role in terms of the management and mitigation of risk within the Group's operations as well as reviewing new business opportunities before they are approved.



## KCA Deutag Alpha Limited

### Corporate Governance Report (continued)

#### Principle 5 – Remuneration

The Remuneration Committee's primary objective is to set remuneration at a level that will enhance the Group's human resources by securing and retaining quality senior management who can deliver the Group's strategic ambitions in a manner consistent with both its purpose and the interests of its shareholders.

The Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

#### Principle 6 – Stakeholders

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and to protect the Group's brand, reputation and relationships with all our stakeholder community including employees, customers, shareholders, suppliers and the local communities in which we work. The Board continues to seek to align the Group's strategic direction with its purpose and to the shareholders' long-term aspirations for sustainability and growth.

The Group's Chief Executive Officer and Chief Financial Officer provide the primary communication route between the Executive Management Team, the Board and the shareholders. Under the shareholders' investment agreement, the shareholders have the right to appoint Directors to the boards of group companies, including the Company, as well as sending observers to attend board meetings of KCA Deutag International Limited, the Group's ultimate parent company. The appointments of the current non-executive directors of KCA Deutag International Limited have been approved in accordance with the terms of the shareholders' investment agreement.

#### External Impacts

The Board is committed to social responsibility, community engagement and environmental sustainability. It achieves this in part through its commitment to: a "Culture of Care" (ensuring the safety, health and wellbeing of everyone who works with us); creating positive environmental and social impact; and seeking to be an employer of choice where everyone is valued and respected.

#### Stakeholders

The Board promotes accountability and transparency with all external stakeholders.

The Group also has in place its six Core Values which provide the framework for effectively leading, supporting and managing employees. The Group Chief Executive Officer hosts Town Hall webinar meetings to provide a briefing on the Group's performance and allows individuals to raise questions and concerns. The Group monitors its employees' commitment to its guiding framework by asking members of senior management to submit a quarterly declaration confirming whether they have complied with the key requirements of critical World Wide Standards. All Group employees complete an annual appraisal with their line manager. This appraisal process is linked directly to each of the Group's six Core Values giving a strong linkage of individual performance to these values.

If any employee wishes to highlight any inappropriate behaviour, they can contact the independent whistleblowing services provider and a formal investigation follows.

The Executive Management Team has overseen a number of initiatives over the past few years to improve employee relations by seeking to expand the menu of flexible benefits on offer, encouraging more flexible working practices and wellbeing initiatives and updating the Group's intranet platform and channels of communication to share information, best practice, achievements and success.

The Group continues to comply with legal requirements in the UK in respect of Gender Pay Reporting and Payment Practices and Performance Reporting, both of which are published externally. The Group is constantly looking to improve in its engagement with all stakeholders as these relationships are key to ensuring that the decisions made by the Group reflect the interest of all. The Group's website ([www.kcadeutag.com](http://www.kcadeutag.com)), intranet and social media channels provide extensive and up-to-date news on recent developments as well as regular updates from the Chief Executive Officer via his blog.



## KCA Deutag Alpha Limited

### Corporate Governance Report (continued)

During 2022 Chief Executive Officer, Joseph Elkhoury, has continued to seek to increase employee engagement levels by conducting visits to Group locations and rigs, as well as continuing his “Chat with Joseph” sessions where small groups of staff have the opportunity to ask questions in an informal setting via video-conference. He also continues to engage with employees on a one-to-one basis in order to understand the current state of the business and concerns faced by employees.

Since his appointment as Chief Executive Officer in 2019, Joseph launched several *#enhancethebrand* improvement initiatives. These initiatives are led by separate teams that combine diverse groups of employees from different functions, business units and organisational levels to encourage proactive collaboration across the Company. One initiative in particular takes a bottom-up approach, the **SKORE** initiative, which encourages employees to provide process improvements to eliminate waste and reduce cost through **Streamlining, Kollaboration, Outperforming, Retaining and Expanding**. This initiative is aimed at ensuring the Group operates in an efficient and cost-effective manner while also looking to increase employee engagement, accountability and ownership.

#### Activities of the Board in 2022

The Board operates a forward agenda of standing items appropriate to the Group’s operating and reporting cycles. Items requiring Board approval or endorsement are clearly defined whilst other items are for monitoring or reviewing progress against strategic priorities, risk management or the adequacy of internal controls.

#### During 2022 the Board

- Approved the Annual Accounts and Report for 2021;
- Set the Group’s 2022 budget and five year business plan;
- Considered the allocation of capital to support the rolling five year business plan. In 2023 there was a focus on the PDO rig building project;
- Received detailed reports on the Group’s operating and financial performance, with a particular focus on the impact of UK/EU sanctions on Russia;
- Gave consideration to the Group’s safety performance;
- Received updates on progress against strategic programmes and tested the overall strategy against the delivery of shareholders’ long term objectives;
- Frequently considered the evolving economic, political and market conditions impacting the business;
- Considered competitor behaviour, assessing KCA Deutag’s performance in comparison to its peers;
- Considered opportunities for organic growth and growth via Merger & Acquisition activity;
- Reviewed terms and due diligence reports as well as financing in respect of the Saipem acquisition;
- Considered and agreed in principle a set of targets for the acceptable level of liquidity as well as dividend strategy;
- Reviewed the Group’s forecast funding requirements, debt capacity and potential financing options that would enable achievement of the desired targets;
- Reviewed cash forecasts, cash management and status reports on the Group’s funding;
- Reviewed key risks, together with the adequacy of mitigation controls;
- Considered future potential capital investment opportunities with an assessment made on risk versus reward;
- Received regular reports from the Chairs of the Audit and Remuneration Committees;
- Considered the continued personal development of the Executive Management Team, including senior management succession planning;
- Evaluated the short and long terms trends in the oil and gas sector that would help to inform the wider business strategy and the Group’s long term planning process;
- Considered the data and narrative relevant to the Group’s Gender Pay Reporting and Payment Practices Regulations; and
- Approved the annual statements on the Group’s policies on anti-slavery and human trafficking, anti-bribery and corruption and the Group’s tax strategy, which can all be found on the Group’s website <http://www.kcadeutag.com>



## **KCA Deutag Alpha Limited**

### **Corporate Governance Report (continued)**

#### **External Auditors**

The Audit Committee assesses the effectiveness of the Group's external auditors' performance every year after completion of the annual audit plan and during 2022 the Audit Committee evaluated their performance in relation to the 2021 audit. The evaluation takes the form of discussions with Management and other members of the Executive Management Team. The calibre of the external auditors, their governance, independence and professionalism continues to receive good feedback. Both management and the external auditors are committed to a positive working relationship that enhances the effective and efficient execution of the audit process.

During 2021, the Group undertook a competitive tendering process for the appointment of the Group's external auditors for 2022 and subsequent years. As a result of this process, the Board decided to appoint Ernst & Young LLP (EY) to replace PricewaterhouseCoopers LLP as the Group's external auditors.

As it is privately owned, the Group is not subject to the same external restrictions in terms of non-audit work provided by the external auditors as if it were a public company, but for good governance has chosen to implement its own policy in relation to the level of their remuneration and the extent of their non-audit services.

Throughout 2022 the Audit Committee was satisfied that the Group's external auditors' engagement policy had been complied with and concluded that the external auditors remained objective and independent and that the audit process was robust.



## KCA Deutag Alpha Limited

### Financial Review

#### Overview

The financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards (UK IFRS) in conformity with the requirements of the Companies Act 2006 and are presented in US Dollars, which is the principal functional and presentational currency of the Group's income streams and cash flows. Group loss after tax was \$371.9 million after including a number of exceptional items described below, compared with a profit after exceptional items of \$25.0 million in 2021. Excluding exceptional items, which generated a tax credit of \$0.4 million (2021: \$0.9 million), the loss after tax was \$13.1 million (2021: profit \$31.6 million).

#### Trading Performance

Note 5 to the financial statements sets out the segmental analysis of the business analysed between Offshore Services, Land Drilling and Kenera, highlighting EBITDA performance before exceptional items which is the key financial performance indicator that the Group uses for its operations.

The following table sets out the 2022 figures:

	Revenue 2022 \$m	EBITDA* 2022 \$m	Operating (profit/(loss)) 2022 \$m	EBITDA Margin 2022 %
Offshore Services	586.6	107.5	76.7	18.3
Land Drilling	530.4	147.8	(259.6)	27.9
Kenera	154.9	10.4	(44.2)	6.7
Central overheads / exchange	-	(15.6)	(36.6)	-
	<b>1,271.9</b>	<b>250.1</b>	<b>(263.7)</b>	<b>19.7</b>

\* before exceptional items

The above table has been extracted from Note 5 to the financial statements, which also includes the comparative information for 2021. These are the pro forma Group results and include statutory and discontinued operations.

Group revenues increased by 6.3% from 2021, with higher revenues across all Business Units, despite the Group having to abandon its Russian businesses during the year. The Russian businesses were deemed to have been divested and have been accounted for as discontinued operations. Offshore Services revenues have seen an increase as a result higher activity and reimbursables in Azerbaijan and Angola along with increased activity in the UK North Sea which more than offset the impact of having to abandon the Sakhalin business during the year. Kenera completed four rig sales in 2022 which has increased its revenues as well as additional services and engineering revenues. Land Drilling revenues have increased with the impact of the Saipem acquisition along with increased utilisation in Saudi Arabia and Europe more than offsetting the impact of the abandonment of our Russian Land business and lower revenues in Oman.

Offshore Services EBITDA was higher in 2022 due to relatively strong performance in all locations which more than offset the loss of EBITDA post-abandonment of the Sakhalin business.

In Land Drilling the EBITDA results were positively impacted by the first phase of the acquisition of Saipem's Land Drilling business which more than offset the impact of the Russian abandonment and lower EBITDA in Oman and Iraq.

Kenera delivered a higher EBITDA result with the remaining four INK rigs delivered compared to two in 2021. Higher services EBITDA offset lower performance in engineering.

Revenues of \$184.6 million (2021: \$246.2 million) and EBITDA of \$47.6 million (2021: \$72.6 million) included in the above table relate to the Group's discontinued operations in Russia. Operating cash flow in the year from the Russia business was \$45.8 million.

The Group EBITDA margin was slightly improved at 19.7% compared to 19.6% in 2021.

#### Depreciation and Amortisation

Depreciation of the Group's tangible assets totalled \$107.6 million (2021: \$101.7 million) of which \$102.2 million (2021: \$97.5 million) related to depreciation of drilling rigs and equipment. Amortisation of intangible assets, which consist of the value of customer relationships and contracts, trade names and technology, amounted to \$4.0 million (2021: \$3.5 million). Depreciation of right of use assets of leased equipment amounted to \$43.0 million (2021: \$37.4 million).



## KCA Deutag Alpha Limited

### Financial Review (continued)

#### Exceptional Items

The Group incurred the following exceptional items which are separately disclosed within Notes 10, 11, 12 and 13 to the financial statements:

- As a result of the Group's exit from Russia, a goodwill impairment charge totalling \$120.0 million and fixed asset impairment charges totalling \$122.0 million have been recorded in relation to the Group's Land Drilling Business Unit. In addition net working capital balances totalling \$99.0 million were also written off.
- Reorganisation costs of \$2.9 million primarily relate to the Group's cost reduction, restructuring and redundancy expenditure along with professional fees associated with the Group's strategic activities, including looking at potential mergers and acquisitions.
- The Group booked a charge of \$3.6 million relating to contractual disputes with customers and suppliers in its Kenera business, together with certain other related costs.
- A charge of \$1.6 million was recorded in respect of costs involved in responding to a cyber-attack in December 2021 which restricted access to a number of the Group's back-office systems. These were predominantly costs involved in the restoration of system access.
- Integration and transaction costs of \$15.2 million which are associated with the purchase of the Saipem Onshore Drilling business on 28 October 2022.
- 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. Approval was granted by the Nigerian authorities in March 2022 with a credit of \$1.3 million being recorded representing the gain on the sale.
- The Group recorded a credit of \$3.8 million relating to the recovery of funds in Mexico which had previously been consigned with a third party under a performance security, following the expiry of a time limit applicable to any client claim against those funds.

During 2021 the Group incurred the following exceptional items which are separately disclosed within Notes 10, 11, 12 and 13 to the financial statements:

- A \$7.4 million charge was recorded in respect of reorganisation costs primarily relating to the Group's cost reduction initiatives, redundancy expenditure including COVID-19 related costs, along with professional fees associated with the Group's strategic activities looking at potential mergers and acquisitions.
- The Group has booked a charge of \$0.8 million in Bentec relating to a continuing dispute in Ukraine, together with certain other related costs.
- An accrual of \$5.2 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, predominantly costs involved in the restoration of system access.
- An exceptional credit in respect of the reversal of a \$5.9 million impairment charge previously recorded in respect of the Group's Nigerian rig fleet which was sold during Q1 2022.

#### Finance Costs

Net finance costs for the Group in the year amounted to \$75.4 million (2021: \$57.7 million) and the analysis is shown in Note 7 to the financial statements. Included in net finance costs in 2022 are \$20.6 million of costs relating to the funding of the acquisition of Saipem SPA's Onshore Drilling Business.

During the year the Group amortised \$1.7 million (2021: \$1.2 million) of debt arrangement fees, relating to the Group's Senior Secured Notes, Floating Rate Notes and Revolving Credit Facilities.

The net exchange gain of \$22.4 million (2021: gain \$6.7 million) includes accounting gains or losses arising on non-functional currency debt, mainly as a result of the retranslation of Russian Rouble, Norwegian Krone and Sterling balances on USD functional entities as well as exchange gains arising on the revaluation of US Dollar debt held in the Balance Sheet of Group companies whose functional currency is denominated in other currencies. It also includes accounting gains of \$5.5 million (2021: gain \$8.0 million) arising on non-functional currency pension liabilities.



## KCA Deutag Alpha Limited

### Financial Review (continued)

#### Taxation

Notes 9 and 23 to the financial statements set out the analysis of the Group's tax charge and breakdown of deferred tax respectively along with the Group's effective tax rate.

The 2022 total tax charge of \$32.8 million (2021: \$4.6 million) has increased from 2021. There was an increase in taxable profits which has resulted in a higher current tax charge of \$30.8 million (2021: charge of \$27.8 million). There was also a deferred tax charge arising in the year of \$2.0 million (2021: credit of \$23.2 million).

Net income tax liabilities in the Group Balance Sheet include \$13 million (2021: \$12.9 million) relating to uncertain tax positions where management has had to exercise judgement in determining the most likely outcome in respect of the relevant issue. Where the final outcome on these issues differs to the amounts provided, the Group's tax charge will be impacted. Cash taxes paid in the year were \$29.6 million (2021: \$33.4 million).

#### Capital Investment

During the year a total of \$60.8 million (2021: \$40.4 million) was invested in fixed assets, of which \$56.5 million related to drilling rigs and equipment (2021: \$39.5 million) which was primarily capital investment to maintain and reactivate the Land Drilling fleet.

#### Group Cash flow and Debt

The Group's cash flow and debt movements in the year were as follows:

	2022	2021
	\$m	\$m
Net debt at start of year	(275)	(292)
Cash generated from operating activities	174	212
Capital expenditure and investments, net of disposal proceeds	(58)	(42)
Exceptional costs of refinancing and extinguishment of debt	-	(5)
Tax paid	(30)	(33)
Interest paid - net	(52)	(49)
Acquisition of additional shares in subsidiary	-	(5)
Acquisition of subsidiaries	(480)	-
Proceeds from parent company issue of shares	25	-
New parent company loans	150	-
Fees on acquisition finance	(21)	-
Lease payments	(50)	(47)
Dividends paid	(9)	(11)
Exchange rate and other non-cash effects	24	(2)
Capitalised arrangement fees amortised	(2)	(1)
<b>Net debt at 31 December</b>	<b>(604)</b>	<b>(275)</b>

Net debt is defined as the excess of the Group's long and short term borrowings (including overdrafts) over cash, cash equivalents other deposits and capitalised debt arrangement fees. At the end of 2022, the Group held cash balances of \$230.7 million (2021: \$218.8 million).

KCA Deutag Alpha Limited, its 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.

#### Borrowings

At 31 December 2022 the Group's total bank borrowings were \$850.0 million (2021: \$500.0 million), 100.0% (2021: 100.0%) of which is due to mature in more than one year and 58.8% (2021: 100.0%) of the borrowings were at fixed rates. The increase in borrowings since prior year is driven by the financing of the Group's acquisition of the Saipem Onshore Drilling business by way of \$250 million of floating rate notes and \$100 million drawn down from available Revolving Credit Facilities. Additional intercompany loans of \$150 million were provided by a parent company in the year.

#### Pensions

At 31 December 2022, the Group had a total of \$99.9 million (2021: \$126.3 million) of liabilities relating to various defined benefit pension schemes. The largest element thereof was \$95.8 million (2021: \$123.6 million) relating to unfunded liabilities in Germany where the Group pays out pensions to scheme members after retirement.

In the UK, the Group's two defined benefit pension schemes had a net deficit totalling \$4.1 million (2021: \$2.7 million) which is being funded by the Group over the medium term.



## KCA Deutag Alpha Limited

### Financial Review (continued)

#### Pensions (continued)

The reduction in the Group's pension liabilities is mainly driven by the impact of higher discount rate assumptions across all schemes which more than offset the impact of an increased inflation rate assumption on the German schemes.

#### Going Concern

The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.

During the year, the Group secured bank loan borrowings of \$100 million, issued \$250 million of floating rate notes and received \$175 million from its ultimate parent company to fund the acquisition of the Saipem Onshore Drilling business.

The acquisition will positively impact the future cash generation of the Group.

The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period.

Underpinning the directors' assessment of going concern is:

- \$231 million of cash at year end
- \$275 million of RCF/overdraft and guarantee facilities currently in place, with only \$100 million of RCF drawn at year end
- Positive cash generation from operations during the going concern period
- A strong liquidity position and significant headroom under its financial covenants

Management have considered the following severe but plausible downside sensitivity cases which include:

- Delays in delivery of new build rigs, lower utilisation, and higher costs in our Land business
- Lower activity and ability to pass on cost escalations in our Offshore business
- Lower activity in the main pillars of our Kenera business
- Adverse GBP/USD exchange movements impacting our corporate cost base
- Inability to source external finance for new build rigs

Based on these scenarios, the Group would be able to remain compliant with its debt/EBITDA and liquidity covenants and would have sufficient cash throughout the going concern period and could implement further mitigations, such as cancellation of controllable capex and management of working capital, if required.

Following the Group's exit from Russia and subsequent impairment of goodwill and associated assets, management considered the Group's financial covenants. These covenants do not include any tests, such as tests based on Group net assets, which may be impacted by any such impairments.

The Directors have also performed reverse stress testing which the Directors consider remote given the implausible reduction in EBITDA forecast required to trigger a covenant breach in the context of the current firm contract backlog. Based upon the analysis described above, the Directors have a reasonable expectation that the Group and Company has sufficient covenant headroom as well as adequate cash resources to meet all its liabilities as they fall due for the period analysed, which is to 31 December 2024. As a result, the Directors consider it appropriate to prepare the Group's and Company's financial statements on a going concern basis.

N Gilchrist

Chief Financial Officer, KCA Deutag Alpha Limited

30 March 2023



## **KCA Deutag Alpha Limited**

### **Corporate Information**

#### **Board of Directors**

J Elkhoury  
N Gilchrist  
S Al Qahtani  
A Durkin  
T Ehret  
M Moufarrej  
P Thomas

#### **Registered Office**

1 Park Row  
Leeds  
LS1 5AB

#### **Principal Bankers**

HSBC Bank plc  
95 – 99 Union Street  
Aberdeen  
AB11 6BD

#### **Independent Auditors**

Ernst & Young LLP  
2 Marischal Square  
Aberdeen  
Broad Street  
Aberdeen  
AB10 1BL



## KCA Deutag Alpha Limited

### Directors' report

The Directors present their report on the affairs of KCA Deutag Alpha Limited ("the Company") and its subsidiary undertakings (together "the Group"), together with the audited consolidated financial statements, for the year ended 31 December 2022.

#### Strategic Report and Principal Activities

The Company's principal activity is as a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering and technology services on a worldwide basis to the energy industry.

Further information regarding the Group, including important events and its progress during the year, events since the year end and likely future development is contained in the Chairman's Statement and in the Strategic Report on pages 3 to 15. The information that fulfils the requirements of the Directors' Report (as required the Companies Act 2006), which is incorporated in this Directors' Report by reference, can be found on the following pages of this Annual Report:

Information	Location	Page(s)
Development and performance during the financial year	Chairman's Statement; Strategic Report	3 6
Position at the year end including analysis and key performance indicators	Strategic Report; Financial Review	6 22
Other performance including environmental and employee matters	Strategic Report	6
Principal risks and uncertainties facing the business	Strategic Report	10
Explanation of amounts included in the financial statements	Financial Review; Notes to the Financial Statements	22 40
Explanation of financial risk management	Note 21	70
Explanation of exceptional items	Financial Review; Notes 10-13 to the Financial Statements	22 59-64

#### Results and Dividends

The Group made a loss after taxation of \$371.9 million (2021: profit \$25.0 million) which has been deducted from retained earnings. The audited financial statements for the year ended 31 December 2022 are set out on pages 34 to 92. The Directors do not recommend the payment of an equity dividend. Non-equity dividends of \$9.4 million (2021: \$10.7 million) were paid in the year.

#### Directors

The Directors who served during the year and up to these financial statements being signed were as follows:

J Elkhoury  
N Gilchrist  
S Al Qahtani  
A Durkin  
T Ehret  
M Moufarrej  
P Thomas

#### Substantial Shareholdings

The Company's ultimate controlling company is KCA Deutag International Limited which is registered in Jersey. At 31 December 2022, the Company's ordinary shares were wholly owned by KCA Deutag International 3 Limited, a company incorporated in England and Wales.



## KCA Deutag Alpha Limited

### Directors' report (continued)

#### Supplier Payment Policy

The Company and Group policy is to agree terms of payment with suppliers prior to entering into contractual relationships and to abide by those terms of payment.

#### Employees

The Group is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through internal intranet articles, briefings and well-established formal consultation procedures.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant. If employees become disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### Health and Safety at Work

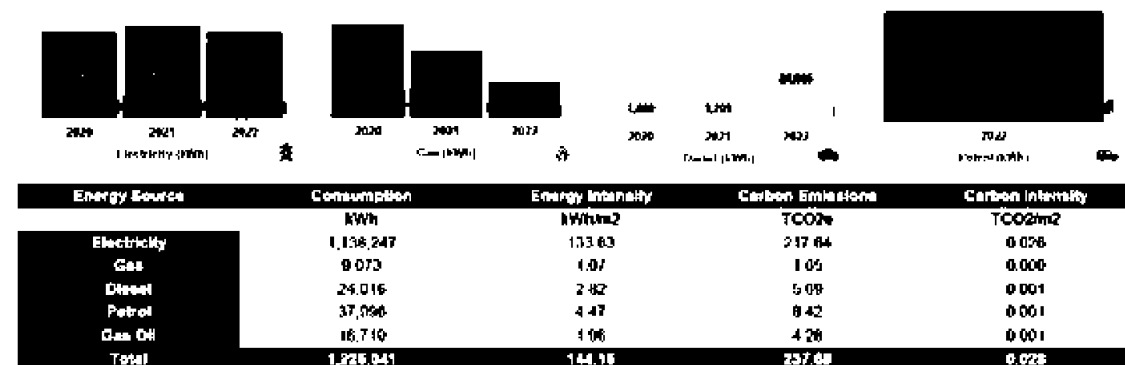
The well-being of the employees is given the highest priority throughout the Group and it is the Group's policy not only to comply with health and safety measures, as required by law, but to act positively to prevent injury and ill health, and damage to the environment arising from its operations.

#### Environment

The Group has various subsidiaries that provide drilling and related well and facilities engineering services both onshore and offshore. In the execution of these services they undertake environmental risk assessments and site appraisals as standard. These assessments are discussed with the clients to improve the environmental performance of the operation as a whole, through the preparation and implementation of site-specific environmental plans.

The below figures provide details of annual Greenhouse Gas (GHG) emissions from activities for which the Group is directly responsible from our head office facilities and a small fleet of company vehicles used in the UK and covers the financial year ended 31 December 2022. The methodology used to calculate total energy consumption and carbon emissions has been through the extraction of consumption data from invoices and meter readings during the period. Energy and fuel consumption has been converted to carbon (TCO2e) using 2022 UK Government GHG Conversion Factors for Group reporting.

Fuel for transportation has been converted using statistical data sets published by the Department of Transport ([www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env](http://www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env)).



There has been a change in the reporting since last year with employee mileage now being covered in the calculation, hence resulting in an increase in diesel consumption and the inclusion of petrol consumption. A further change to the meters squared value to exclude the yard space has resulted in 2021 numbers for TCO2/m<sup>2</sup> being rebased to 0.032. This year's result for TCO2/m<sup>2</sup> of 0.028 therefore reflects a reduction versus the prior year. The key environmental risks identified in the UK include waste management, provision of utilities and fuel for company vehicles and forklifts.



## KCA Deutag Alpha Limited

### Directors' report (continued)

The Group remains committed to reducing its carbon footprint and as mentioned in the Chairman's Statement we will be publishing our second Sustainability Strategy report for the year 2022 where we engaged with a third party who helped us assess our carbon footprint across the Group's operations and to identify further ways we can measure our environmental impact across the business. Changes have also been implemented including use of LED lighting being rolled out, Business Management System settings being checked and adjusted as necessary and adding timers to warehouse heaters to reduce unnecessary consumption.

As a responsible drilling and technology group we have an important role to play in improving energy efficiency and in developing new technologies to minimise greenhouse gas emissions generated by us and the work we undertake on behalf of our customers. As a business our aim is to improve efficiency and reduce our emissions and energy consumption to as low a level as is practically possible within the context of our own business operations. We continue to work on improving environmental sustainability by reducing our carbon footprint, eliminating waste, recycling and using alternative energy sources where possible.

#### Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted international accounting standards (UK IFRSs) in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **KCA Deutag Alpha Limited**

### **Directors' report (continued)**

#### **Directors' Confirmations**

Each Director in office at the date the Directors' report is approved confirms that:

- the Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy;
- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

**On behalf of the Board of Directors**

**J Elkhoury**  
**Director**  
**30 March 2023**



## Independent auditors' report to the members of KCA Deutag Alpha Limited

### Opinion

We have audited the financial statements of KCA Deutag Alpha Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Balance Sheet, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity, Cashflow Statement, and the related notes 1 to 36, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



## Independent auditors' report to the members of KCA Deutag Alpha Limited

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations relation to health and safety, employee matters, environments and bribery and corruptions practices. Further to this, we inquired of management to understand how they were complying with Russia sanction risks and read the external legal advice made available to us;
- We understood how KCA Deutag Alpha Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and noted that there was no contradictory evidence;



## Independent auditors' report to the members of KCA Deutag Alpha Limited

- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur by embedding forensic specialists into our group team. Our forensic specialists worked with the group engagement team to identify the fraud risks across the business. We enquired with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered higher, we performed audit procedures to address the fraud risk;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations, enquiries of general counsel and management as well as utilisation of data analytical tools to review for potential non-compliance with laws and regulations with a focus on manual journals which have heightened risk by nature.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Weston (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Aberdeen  
30 March 2023*



## KCA Deutag Alpha Limited

### Consolidated Income Statement

for the year ended 31 December 2022

	Note	Discontinued operations		Pro forma	Discontinued operations		Pro forma
		Statutory 2022	2022	Total Group 2022	Statutory 2021	2021	Total Group 2021
		\$m	\$m	\$m	\$m	\$m	\$m
Revenue	5	1,087.3	184.6	1,271.9	950.1	246.2	1,196.3
Cost of sales		(994.1)	(146.8)	(1,140.9)	(851.0)	(202.7)	(1,053.7)
<b>Gross profit</b>		<b>93.2</b>	<b>37.8</b>	<b>131.0</b>	<b>99.1</b>	<b>43.5</b>	<b>142.6</b>
Administrative expenses		(39.9)	-	(39.9)	(45.7)	-	(45.7)
Net impairment gain on financial and contract assets	16	8.4	-	8.4	1.4	-	1.4
Amortisation of intangible assets	13	(4.0)	-	(4.0)	(3.5)	-	(3.5)
<b>Operating profit before exceptional items</b>		<b>57.7</b>	<b>37.8</b>	<b>95.5</b>	<b>51.3</b>	<b>43.5</b>	<b>94.8</b>
Exceptional items - net operating costs	10	(18.2)	(99.0)	(117.2)	(12.1)	(1.3)	(13.4)
Exceptional items - Property, Plant & Equipment impairment	11	-	(122.0)	(122.0)	5.9	-	5.9
Exceptional items - impairment of Land Goodwill	12	-	(120.0)	(120.0)	-	-	-
<b>Operating (loss) profit</b>		<b>39.5</b>	<b>(303.2)</b>	<b>(263.7)</b>	<b>45.1</b>	<b>42.2</b>	<b>87.3</b>
Finance costs	7	(100.2)	-	(100.2)	(66.2)	-	(66.2)
Finance income	7	19.5	5.3	24.8	8.2	0.3	8.5
<b>(Loss) profit before taxation</b>	8	<b>(41.2)</b>	<b>(297.9)</b>	<b>(339.1)</b>	<b>(12.9)</b>	<b>42.5</b>	<b>29.6</b>
Taxation	9	(36.5)	3.7	(32.8)	(0.6)	(4.0)	(4.6)
			(294.2)	(371.9)		38.5	25.0
<b>(Loss) profit from continuing operations</b>		<b>(77.7)</b>			<b>(13.5)</b>		
<b>(Loss) profit from discontinued operations</b>		<b>(294.2)</b>			<b>38.5</b>		
<b>(Loss) profit for the year</b>		<b>(371.9)</b>			<b>25.0</b>		
(Loss) profit attributable to:							
Owners		(385.4)			13.2		
Non controlling interests		13.5			11.8		
		(371.9)			25.0		

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own Income Statement and Statement of Comprehensive Income.

Pro forma results represent measures presented to provide sufficient detail to enable certain users of the financial statements to assess the combined results of the continuing and discontinued operations of the Group in the current and prior financial years.

The prior year income statement has been restated to reflect the impact of classifying our Russian Abandonment as a discontinued operation.

### Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022	2021
		\$m	\$m
<b>(Loss) profit for the year</b>		<b>(371.9)</b>	<b>25.0</b>
<b>Other comprehensive (expense) income:</b>			
Fair value movement on cash flow hedges		0.2	0.9
Exchange differences on foreign operations		5.8	0.9
Remeasurements on defined benefit pension schemes		8.1	8.6
Remeasurement on value of investment	14	(3.7)	-
<b>Total other comprehensive income for year - net of tax</b>		<b>10.4</b>	<b>10.4</b>
<b>Total comprehensive (expense) income for the year - net of tax</b>		<b>(361.5)</b>	<b>35.4</b>
Comprehensive (expense) income attributable to:			
Owners		(375.0)	23.6
Non controlling interests		13.5	11.8
		(361.5)	35.4

All items, with the exception of the remeasurements on defined benefit pension schemes, may subsequently be reclassified to the Income Statement.

The Notes on pages 40 to 92 form an integral part of the financial statements.



**KCA Deutag Alpha Limited**


**Balance Sheets as at 31 December 2022**

	Note	2022 Group \$m	2021 Group \$m	2022 Company \$m	Restated 2021 Company \$m
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	841.0	521.0	-	-
Right of use leased assets	31	121.1	112.2	-	-
Goodwill	12	391.1	479.8	-	-
Other intangible assets	13	49.5	15.7	-	-
Investments	14a,b	6.3	0.1	800.0	800.0
Amounts owed by subsidiaries	33	-	-	548.7	224.2
Deferred tax assets	23	60.4	67.4	-	-
		<b>1,469.4</b>	<b>1,196.2</b>	<b>1,348.7</b>	<b>1,024.2</b>
<b>Current assets</b>					
Inventories and work in progress	15	163.4	149.1	-	-
Trade and other receivables	16	320.4	288.5	0.6	1.3
Amounts owed by parent company	33	3.7	2.9	3.7	2.9
Financial assets - derivative financial instruments	21	0.4	0.2	-	-
Cash and cash equivalents	18	230.7	218.8	-	0.1
		<b>718.6</b>	<b>659.5</b>	<b>4.3</b>	<b>4.3</b>
Assets classified as held for sale	35	-	15.6	-	-
<b>Total current assets</b>		<b>718.6</b>	<b>675.1</b>	<b>4.3</b>	<b>4.3</b>
<b>Total assets</b>		<b>2,188.0</b>	<b>1,871.3</b>	<b>1,353.0</b>	<b>1,028.5</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	19	(335.4)	(283.3)	(5.4)	(1.4)
Bank overdrafts	18	-	-	(11.5)	-
Tax liabilities	9	(21.6)	(19.7)	-	-
Financial liabilities – derivative financial instruments	21	(1.8)	-	-	-
Lease liabilities	31	(54.0)	(40.2)	-	-
Provisions	22	(0.9)	(1.0)	-	-
		<b>(413.7)</b>	<b>(344.2)</b>	<b>(16.9)</b>	<b>(1.4)</b>
<b>Non-current liabilities</b>					
Deferred income		(10.2)	(10.2)	-	-
Financial liabilities – borrowings	20	(834.6)	(494.0)	-	-
Amounts owed to parent company	33	(267.9)	-	(313.3)	(2.0)
Deferred tax liabilities	23	(55.7)	(13.4)	-	-
Retirement benefit obligations	28	(99.9)	(126.3)	-	-
Lease liabilities	31	(74.8)	(80.9)	-	-
Provisions and other payables	22	(1.8)	(2.0)	-	-
		<b>(1,344.9)</b>	<b>(726.8)</b>	<b>(313.3)</b>	<b>(2.0)</b>
<b>Total liabilities</b>		<b>(1,758.6)</b>	<b>(1,071.0)</b>	<b>(330.2)</b>	<b>(3.4)</b>
<b>Net assets</b>		<b>429.4</b>	<b>800.3</b>	<b>1,022.8</b>	<b>1,025.1</b>
<b>Capital and reserves</b>					
Share capital	24	-	-	-	-
Share premium	25	-	-	-	-
Other reserves		100.6	94.6	-	-
Retained earnings	26	312.4	693.9	1,022.8	1,025.1
		<b>413.0</b>	<b>788.5</b>	<b>1,022.8</b>	<b>1,025.1</b>
Non controlling interest		16.4	11.8	-	-
<b>Total equity</b>		<b>429.4</b>	<b>800.3</b>	<b>1,022.8</b>	<b>1,025.1</b>

The loss for the Company for the year was \$2.3 million (2021: profit \$0.4 million).

The financial statements on pages 34 to 92 were approved by the Board of Directors on 30 March 2023 and signed on its behalf by

  
J Elkhoury  
Director

  
N Gilchrist  
Director

Registered Number: 06433748



**KCA Deutag Alpha Limited**

**Consolidated Statement of Changes in Shareholders' Equity**

	Share capital \$m (Note 24)	Retained earnings \$m (Note 26)	Other reserves			Non-controlling interests \$m	Total equity \$m
			Merger reserve \$m	Hedging reserves \$m	Currency translation reserves \$m		
At 1 January 2022	-	693.9	104.4	0.6	(10.4)	11.8	800.3
<b>Comprehensive expense</b>							
Loss for the year	-	(385.4)	-	-	-	13.5	(371.9)
<b>Other comprehensive income</b>							
Fair value movement on cash flow hedges	-	-	-	0.2	-	-	0.2
Exchange differences on foreign operations	-	-	-	-	5.8	-	5.8
Remeasurements on defined benefit pension schemes	-	8.1	-	-	-	-	8.1
Remeasurement on value of investment (Note 14)	-	(3.7)	-	-	-	-	(3.7)
<b>Total other comprehensive expense</b>	-	4.4	-	0.2	5.8	-	10.4
<b>Total comprehensive expense</b>	-	(381.0)	-	0.2	5.8	13.5	(361.5)
<b>Transactions with owners</b>							
Dividend paid to minority shareholder	-	(0.5)	-	-	-	(8.9)	(9.4)
<b>At 31 December 2022</b>	-	<b>312.4</b>	<b>104.4</b>	<b>0.8</b>	<b>(4.6)</b>	<b>16.4</b>	<b>429.4</b>

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

At 31 December 2022, the Group recorded a \$3.7 million reduction in the value of its investment in Clean Power Hydrogen plc to reflect the market value applicable at that date.



**KCA Deutag Alpha Limited**

**Consolidated Statement of Changes in Shareholders' Equity (continued)**

	Share capital \$m (Note 24)	Share premium \$m (Note 25)	Accumulated losses \$m (Note 26)	Other reserves			Non-controlling interests \$m	Total equity \$m
				Merger reserve \$m	Hedging reserves \$m	Currency translation reserves \$m		
At 1 January 2021	-	3,429.3	(2,752.2)	104.4	(0.3)	(11.3)	10.2	780.1
<b>Comprehensive income</b>								
Profit for the year	-	-	13.2	-	-	-	11.8	25.0
<b>Other comprehensive income/(expense)</b>								
Fair value movement on cash flow hedges	-	-	-	-	0.9	-	-	0.9
Exchange differences on foreign operations	-	-	-	-	-	0.9	-	0.9
Remeasurements on defined benefit pension schemes	-	-	8.6	-	-	-	-	8.6
Total other comprehensive expense	-	-	8.6	-	0.9	0.9	-	10.4
<b>Total comprehensive income</b>	-	-	21.8	-	0.9	0.9	11.8	35.4
<b>Transactions with owners</b>								
Dividend paid to minority shareholder	-	-	(0.5)	-	-	-	(10.2)	(10.7)
Capital reduction	-	(3,429.3)	3,429.3	-	-	-	-	-
Acquisition of additional shares in subsidiary	-	-	(4.5)	-	-	-	-	(4.5)
<b>At 31 December 2021</b>	-	-	693.9	104.4	0.6	(10.4)	11.8	800.3

Other reserves in the Balance Sheet consist of the hedging reserve, merger reserve, currency translation reserve and non-controlling interests. On 29th April 2021, KCA Deutag Alpha Limited completed a capital reduction to convert Share Capital and Share Premium balances to Retained Earnings.

During the year to 31 December 2021 the Group acquired an additional 25% in the indirect subsidiary, International Drilling Technology (LLC).

Non-controlling interests represent the share of profits or losses attributable to non-Group shareholders of certain subsidiaries.



## KCA Deutag Alpha Limited

### Company Statement of Changes in Shareholders' Equity

for the year ended 31 December 2022

	Share capital \$m (Note 24)	Share premium \$m (Note 25)	Retained earnings \$m (Note 26)	Total equity \$m
<b>At 1 January 2022</b>	-	-	1,025.1	1,025.1
<b>Comprehensive expense</b>				
Loss for the year	-	-	(2.3)	(2.3)
<b>Total comprehensive expense</b>	-	-	(2.3)	(2.3)
<b>At 31 December 2022</b>	-	-	<b>1,022.8</b>	<b>1,022.8</b>

	Share capital \$m (Note 24)	Share premium \$m (Note 25)	Accumulated losses \$m (Note 26)	Total equity \$m
<b>At 1 January 2021</b>	-	3,429.3	(2,404.6)	1,024.7
<b>Comprehensive income</b>				
Profit for the year	-	-	0.4	0.4
<b>Total comprehensive income</b>	-	-	0.4	0.4
Capital reduction	-	(3,429.3)	3,429.3	-
<b>At 31 December 2021</b>	-	-	1,025.1	1,025.1

On 29th April 2021, KCA Deutag Alpha Limited completed a capital reduction to convert Share Capital and Share Premium balances to retained earnings.



## KCA Deutag Alpha Limited

### Cash Flow statements

for the year ended 31 December 2022

	Note	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
<b>Cash generated from (used in) operating activities</b>	29	<b>173.9</b>	211.5	<b>4.9</b>	13.9
Tax paid		(29.6)	(33.4)	-	-
<b>Net cash generated from (used in) operating activities</b>		<b>144.3</b>	178.1	<b>4.9</b>	13.9
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary, net of cash acquired		(479.7)	-	-	-
Purchase of property, plant and equipment		(60.9)	(40.4)	-	-
Proceeds from sale of property, plant and equipment		18.0	0.6	-	-
Purchase of intangible assets		(5.0)	(2.4)	-	-
Acquisition of share in listed company		(9.8)	-	-	-
Investment in joint venture		-	(0.1)	-	-
New Loans to subsidiaries		-	-	(324.6)	-
Interest received		1.8	0.2	-	-
<b>Net cash (used in) generated from investing activities</b>		<b>(535.6)</b>	(42.1)	<b>(324.6)</b>	-
<b>Cash flows from financing activities</b>					
Proceeds from parent company issue of ordinary shares		25.0	-	-	-
New Floating Rate Notes issued	20	250.0	-	-	-
New Loans from Parent		150.0	-	309.5	-
Drawdown from RCF Borrowings	20	100.0	-	-	-
Bank loan repayments		-	(0.9)	-	-
Lease payments	31	(49.6)	(47.0)	-	-
Interest paid, including capitalised interest		(54.0)	(49.6)	(1.4)	(0.4)
Commitment and ticking fees on acquisition finance		(20.6)	-	-	-
Exceptional costs of refinancing and extinguishment of debt		-	(4.7)	-	-
Acquisition of additional shares in subsidiary		-	(4.5)	-	-
Dividend paid to minority shareholders		(9.4)	(10.7)	-	-
<b>Net cash generated from (used in) financing activities</b>		<b>391.4</b>	(117.4)	<b>308.1</b>	(0.4)
Effect of exchange rate changes on cash and cash equivalents		11.8	(1.3)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>11.9</b>	17.3	<b>(11.6)</b>	13.5
Cash and cash equivalents at beginning of year		218.8	201.5	0.1	(13.4)
<b>Cash and cash equivalents at end of year</b>	18	<b>230.7</b>	218.8	<b>(11.5)</b>	0.1

Cash and cash equivalents as set out in the above Cash Flow Statement include overdraft facilities which form part of the Group's cash management strategy.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 1 General information

KCA Deutag Alpha Limited ('the Company') is a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering services on a worldwide basis to the energy industry.

The Company is a private company, limited by shares, incorporated in England and Wales and domiciled in Scotland. The address of its registered office is 1 Park Row, Leeds, LS1 5AB.

#### 2 Basis of preparation

The Group financial statements have been prepared under UK adopted international accounting standards and the Company financial statements have been prepared under UK adopted international accounting standards as applied in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost modified by revaluation of financial assets and financial liabilities held at fair values through profit and loss. A summary of the significant Group accounting policies is set out below.

Following a review of the intercompany balances, in line with IAS 1, the Company has reclassified \$224.2m of amounts owed by subsidiaries from current to non-current as although they are payable on demand they are not expected to be repaid in 12 months.

The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give management's best estimates of forward liquidity, leverage and forecast covenant compliance as defined in the Group's loan documentation. This is done to identify risks to liquidity and covenant compliance and to enable management to formulate appropriate and timely mitigation strategies.

During the year, the Group secured bank loan borrowings of \$100 million, issued \$250 million of floating rate notes and received \$175 million from its ultimate parent company to fund the acquisition of the Saipem Onshore Drilling business.

The acquisition will positively impact the future cash generation of the Group.

The Directors have reviewed the most recent projections and forecasts as prepared as part of its budgeting and strategic planning process along with assessing severe but plausible downside sensitivity scenarios and their potential impacts on Group profitability and cash generation over the same period.

Underpinning the directors' assessment of going concern is:

- \$231 million of cash at year end
- \$275 million of RCF/overdraft and guarantee facilities currently in place, with only \$100 million of RCF drawn at year end
- Positive cash generation from operations during the going concern period
- A strong liquidity position and significant headroom under its financial covenants

Management have considered the following severe but plausible downside sensitivity cases which include:

- Delays in delivery of new build rigs, lower utilisation, and higher costs in our Land business
- Lower activity and ability to pass on cost escalations in our Offshore business
- Lower activity in the main pillars of our Kenera business
- Adverse GBP/USD exchange movements impacting our corporate cost base
- Inability to source external finance for new build rigs

Based on these scenarios, the Group would be able to remain compliant with its debt/EBITDA and liquidity covenants and would have sufficient cash throughout the going concern period and could implement further mitigations, such as cancellation of controllable capex and management of working capital, if required.

Following the Group's exit from Russia and subsequent impairment of goodwill and associated assets, management considered the Group's financial covenants. These covenants do not include any tests, such as tests based on Group net assets, which may be impacted by any such impairments.

The Directors have also performed reverse stress testing which the Directors consider remote given the implausible reduction in EBITDA forecast required to trigger a covenant breach in the context of the current firm contract backlog. Based upon the analysis described above, the Directors have a reasonable expectation that the Group and Company has sufficient covenant headroom as well as adequate cash resources to meet all its liabilities as they fall due for the period analysed, which is to 31 December 2024. As a result, the Directors consider it appropriate to prepare the Group's and Company's financial statements on a going concern basis.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Basis of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company for the year to 31 December 2022. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated or deconsolidated from the effective date control is transferred to or from the Company. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any excess of the fair values of the identifiable net assets over the cost of acquisition is recognised directly in the Income Statement.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

##### (ii) Associates and joint ventures

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement within operating profit and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the costs of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and included within the carrying amount of the associate. Any excess of the Group's share of the fair values of the identifiable net assets of the associate over the costs of acquisition is recognised directly in the Income Statement.

Where a Group company transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### b) Foreign currency translation

##### (i) Functional and presentation currency

The consolidated financial statements are presented in US Dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated (the functional currency). The Company's functional and presentation currency is the US Dollar.

The exchange rates used in respect of the major currencies in which the Group operates, compared to the US Dollar, are as follows:

	Average rate for year	Closing rate
GBP	0.8113	0.8292
NOK	9.5869	9.8891
EUR	0.9489	0.9380
RUB	69.213	73.418

##### (ii) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Balance Sheet date. Gains and losses arising on retranslation are recognised in the Income Statement for the year, except where hedge accounting is applied.

##### (iii) Group companies

On consolidation, the assets and liabilities of the Group's non US Dollar functional entities are translated at exchange rates prevailing on the Balance Sheet date. Income and expense items are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the actual transaction rate will be used).

All resulting exchange differences are recognised as a separate component of equity. Such translation differences are recognised in the Income Statement in the year in which the operation is disposed of.

##### (iv) Goodwill and fair value adjustments

Goodwill and fair value adjustments arising on the acquisition of a non US Dollar functional entity are treated as assets and liabilities of the non US Dollar functional entity and translated at the closing exchange rate.

#### c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resource and assessing performance of the operating segments, has been identified as the Group's Board of Directors that make all strategic decisions. Key performance measures include EBITDA and rig utilisation.

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

#### d) Business combinations and goodwill

##### (i) Business combinations accounted for using the acquisition method

Business combinations are accounted for using the acquisition method. All assets and liabilities of the acquiree are measured at fair value at the date of acquisition. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### d) Business combinations and goodwill (continued)

##### (i) Business combinations accounted for using the acquisition method (continued)

Goodwill arising on acquisition (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is recognised as an asset and reviewed for impairment at least annually. On disposal of an entity, the attributable amount of remaining goodwill is included in the determination of profit and loss on disposal.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised through the Income Statement. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When deferred consideration is payable on the acquisition of a business, an estimate of the amount payable is made at the date of acquisition and reviewed regularly thereafter, with any subsequent change in the estimated liability being reflected in the Income Statement. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

##### (ii) Business combinations under common control

It is the Group's policy to account for business combinations involving entities under common control using predecessor accounting. Under predecessor accounting, the Group has elected to include the acquired entity's results and capital structure from the date of acquisition.

A merger reserve, recognised in equity, represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired in the transaction. No additional goodwill is created or gain recognised.

#### e) Other intangible assets

Intangible assets are recognised at cost less accumulated amortisation and any provision for impairment. On acquisition of an entity, intangible assets are identified and evaluated to determine the fair value on the acquisition Balance Sheet. Amortisation is provided to write off the cost of each asset over its estimated useful life, using the straight-line method, on the following basis:

Trade names	up to 21 years
Customer relationships and contracts	up to 13 years
Technology	up to 10 years

We perform an annual review of our intangible assets to determine the appropriateness of their carrying values. When determining the impairment charge for each intangible asset category management has assessed the current and likely future benefit obtained from the specific assets, taking into account the current market environment.

#### f) Property, plant and equipment

Property, plant and equipment held for use in the Group's operations, or for administrative purposes, are stated in the Balance Sheet at cost, net of accumulated depreciation and any provision for impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over their estimated useful life.

Assets are depreciated by the straight line method on the following basis:

Freehold buildings	50 years
Leasehold improvements - land and buildings	50 years (or over the unexpired lease, if shorter)
Plant, machinery and vehicles	2-10 years
Drilling rigs and equipment:	
Mast and Substructure	16 years
Rig Components	4-11 years
Tubulars	4 years

Assets in the course of construction are not depreciated until ready for use.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 3 Summary of significant accounting policies (continued)

##### f) Property, plant and equipment (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Asset lives and residual values are assessed at each Balance Sheet date. Where an impairment trigger is identified with relation to specific assets, a review is undertaken to confirm the appropriateness of the carrying value taking into account factors such as comparable asset values and available third party valuations.

##### g) Goodwill impairment

The Group performs impairment reviews in respect of goodwill annually, and other intangible assets and property, plant and equipment when circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised when the recoverable amount of an asset, calculated as the higher of the asset's recoverable amount and its value per an independent third party valuation, is less than its carrying amount. In the absence of comparable market transactions, a discounted cash flow model has been used to value the assets, as such a model is equivalent to what a market participant would use as a methodology for asset valuation.

For the purpose of impairment testing, assets are allocated to the appropriate cash generating unit ("CGU"). The CGUs are aligned to the structure the Group uses to manage its business. Cash flows are discounted in determining the recoverable amount.

##### h) Net borrowing costs and interest income

Borrowing costs directly attributable to the construction of qualifying assets such as property, plant and equipment are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the Income Statement in the year in which they are incurred.

Interest income is accrued on a time basis, by reference to the principal amount outstanding and the effective interest rate applicable.

##### i) Investments in subsidiaries, associates and intercompany loans

Investments held as non-current assets are measured at cost less appropriate provision for impairment where the Directors consider that an impairment in value has occurred. The same process used to determine ECLs for trade and other receivables is also applied for intercompany loans (Note 16). Investments are considered for impairment at least annually. In respect of the accounting treatment for investments in associates for Group purposes see Note 3a) above.

##### j) Inventories

Inventories of spare parts which are held for use in the Group's drilling operations are stated at weighted average cost less a provision in respect of those spares attached to the older rigs and equipment. Other inventory and work in progress are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

##### k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with maturities of less than three months held with banks and bank overdrafts.

##### l) Trade receivables

Trade receivables, including contract assets, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for an expected credit loss, if applicable. When determining the level of expected credit loss provision, management consider the age of the outstanding receivable along with prior experience in relation to the specific customer as well as the jurisdiction in which the balance is due before booking any provision.

When determining the level of expected credit loss provision required in respect of trade receivable balances, management also consider the creditworthiness and probability of the future default of the customer.

##### m) Taxation

The tax charge represents the sum of tax currently payable, deferred tax and management's estimated provision for current tax claims. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the Income Statement due to items that are not taxable or deductible in any year and also due to items that are taxable or deductible in a different year. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the Balance Sheet date.

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## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### m) Taxation (continued)

Deferred income tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation on property, plant and equipment, pension liabilities, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base.

Tax rates enacted, or substantively enacted, by the Balance Sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In relation to uncertain tax positions, a tax charge is created to reflect management's best estimate of the amount payable in relation to a portfolio of tax claims and the risk of occurrence of each claim as at the Balance Sheet date.

#### n) Employee benefits

##### (i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The interest income on scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in finance income/expense.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the Income Statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (ii) End of service benefit accruals

As required under local legislation in a number of Middle East countries, the Group operates post-employment benefit schemes where payments are made to employees at the end of their service based on most recent salary and number of service years. These plans are not funded.

Accordingly, valuations of the obligations under the plans are carried out by an independent actuaries based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### n) Employee benefits (continued)

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated under applicable national laws.

#### o) Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

##### (i) Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

The Group have elected to carry financial assets investments in listed equity investments at fair value through OCI.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions (cash flow hedges); or hedges of net investments in foreign operation (net investment hedges). The Group currently only uses cash flow hedges and did not enter into any fair value or net investment hedges during the reporting period.

Where hedging is to be undertaken, the Group documents at the inception of the transactions the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction.

The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group performs effectiveness testing on an annual basis.

Changes in the fair value of cash flow hedges that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same year in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### o) Financial assets and liabilities (continued)

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- The fair value of the interest rate swaps is estimated based on the discounting of expected future cash flows at prevailing interest rates at the Balance Sheet date, which is classified as level 2.

The fair value of forward currency contracts has been estimated based on market forward exchange rates at the Balance Sheet date, which is classified as level 2.

#### (ii) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value including directly attributable transaction costs. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and are amortised over the period of the loan.

#### (iii) Embedded derivatives

Embedded derivatives are recognised at fair value based on calculations using an established option pricing model, and are subsequently annually remeasured at their fair value. The carrying amount of an embedded derivative is reported within the same consolidated Balance Sheet category as the host contract.

#### p) Capital management

Where possible the Group seeks to secure long term debt financing which provides access to funds for a number of years into the future. Current secured long-term debt facilities for example have no significant capital repayments required until 2025. The Group has sought to diversify its access to debt markets away from wholly traditional bank debt towards institutional debt by way of the corporate bond markets. The Group will seek to refinance these debt facilities as repayment dates get closer and to take advantage of market conditions. The Group also seeks to secure debt facilities with a light covenant structure and monitors these closely. Periodic reviews of interest rate exposures are also made looking at fixed rate and variable rate exposures with the aim of maintaining a balance between fixed and variable rates. The Group also works closely with its principal shareholders to discuss potential future financing requirements. All significant growth capital expenditure is approved by the Board.

#### q) Provisions

Provisions are measured at the net present value of the Directors' best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. A discount is applied to the provision for the time value of money where this is significant. Provisions are provided where there is a present obligation based on past events that it is probable that an outflow will be required and the financial outcome can be reliably measured.

#### r) Revenue recognition

Revenue is recognised based on the gross amount received or receivable for services provided in the normal course of business, net of value-added tax and other sales related taxes. Revenue from Land Drilling, Offshore Services' platform drilling operations and Kenera operations is recognised in the accounting period in which the services are rendered, typically based on a day rate for rigs and/or manpower provided to the customer.

In Offshore Services, the Group provides personnel to operate and maintain customer owned assets based on contractually agreed rates.

In Land Drilling, the Group typically provides the drilling rig and crew to the customer on a day rate which varies dependent on activity. In our day rate drilling contracts, we typically receive compensation and incur costs for mobilisation, equipment modification or other activities prior to the commencement of a contract. Any such compensation may be paid through a lump-sum payment or other daily compensation.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 3 Summary of significant accounting policies (continued)

##### r) Revenue recognition (continued)

Pre-contract compensation and costs are deferred until the contract commences and then spread on a straight-line basis over the primary term of the relevant drilling contract. The deferred pre-contract compensation and costs are amortised, using the straight-line method, into income or loss over the term of the initial contract period, regardless of the activity taking place, in a manner consistent with the economics of the customer contract. Where there are no elements of up-front consideration in a drilling contract, the Group recognises revenue in line with the amount to which we are contractually able to invoice the customer for performance obligations which have been completed to date. Therefore, the IFRS 15 expedient allowing the Group to recognise revenue in line with its right to invoice its customers has been applied in preparing these financial statements.

Mobilisation costs which are incurred in relation to the mobilisation of new rigs are capitalised and depreciated over the life of the rig. Mobilisation costs incurred on moving rigs to locations under a new customer contract are amortised on a straight line basis over the primary period of the new contracts.

Costs and revenues which are expected to be incurred or earned in relation to the demobilisation of rigs are accrued over the primary term of the drilling contract.

Any rig move costs for moving the rigs to new locations while operating under a drilling contract are expensed as incurred, with the relevant revenue being recognised when the rig move is complete.

Early termination fees in relation to Land Drilling contracts are recognised as a point in time revenue stream at the time they are agreed with the customer and the Group has no future performance obligations under the relevant contract.

Incentive income is recognised when earned. Incentive income is earned in respect of contract Key Performance Indicators (KPIs) detailed in customer contracts, and revenue is recognised only when a KPI has been achieved and achievement has been agreed with a customer.

In Kenera, the Group provides personnel on a time-cost basis to customers to work on engineering projects as well as a number of contracts that are accounted for as engineering contracts as described in s) below.

Recognition of revenue from Kenera engineering contracts is described in s) below. For all other Kenera revenue streams revenue is recognised based upon completion of the relevant service or delivery of goods.

The Group recognises flow through revenue, which relates to reimbursable costs, based on the gross amount received or receivable in respect of its performance under the sales contract with the customer.

Interest income is accrued on a time basis, by reference to the principal amount outstanding and the effective interest rate applicable.

##### s) Engineering contracts

Where the outcome of a long term engineering contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the Balance Sheet date dependent on the relevant provisions in the contract with the customer. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion or the contractual position prevents this treatment in accordance with IFRS 15, which results in revenue being recognised at a point in time rather than with reference to the stage of completion of the contract. Revenue variations in contract work, claims and incentive payments are included to the extent that they have been agreed in writing by the customer. Typically the performance obligation in respect of these contracts is fulfilled on delivery.

When it is probable that total contract costs will exceed total revenue, the expected loss is recognised in full as an expense immediately.

Deferred income represents the value of advance payments received from customers for engineering contracts which are in excess of the value of work done at the Balance Sheet date.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### t) Leases

Where the Group is a lessee almost all leases are recognised on the Balance Sheet. An asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The lease liability is measured at the present value of the future lease payments. The lease term includes all periods covered by extension options if exercise of the extension is reasonably certain. The present value is calculated based on an appropriate discount rate being the Group's incremental borrowing rate.

The right-of-use asset is initially measured based on the calculated lease liability plus any indirect costs, payments at or prior to lease commencement, dilapidation provisions less any lease incentives. Subsequent measurement is at cost less depreciation and any provision for impairment. The right-of-use asset is also adjusted based on any re-measurement of the lease liability.

The Group has also chosen to take advantage of the exemptions as allowed in the standard for certain short term leases and leases of low value assets:

##### i) Short term leases

This is defined as a lease which has a lease term of 12 months or less and does not contain a purchase option. In terms of assessing the duration of a lease, if a lease is more likely than not to be extended to a duration in excess of 12 months, then lessee accounting under IFRS 16 will apply.

##### ii) Low-value assets

The standard does not specify a value which would ensure an asset was of low-value however this is likely to apply to items such as tablets and personal computers and small items of office furniture and telephones. An asset can only be low-value if the lessee can benefit from the use of the asset on its own and the asset is not highly dependent on other assets.

Leases which meet the exemptions above continue to be charged to profit or loss on a straight-line basis over the period of the lease (net of any incentives received from the lessor).

#### u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value and subsequently held at amortised cost.

#### v) Exceptional items

Exceptional items shown within operating profit are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to operational exceptional items include write-downs or impairments of assets including goodwill, restructuring costs, asset or business disposals and litigation settlements.

Exceptional items shown below operating profit are those significant non-operational items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to non-operational exceptional items include gains or losses arising on financial restructuring.

#### w) Share capital

Ordinary shares and share premiums are classified as equity.

#### x) Dividends

Dividend distributions on ordinary shares are recognised as a liability in the Group's financial statements when they have been approved by Company's shareholders. Interim dividends are recognised when paid. Dividend income is recognised when the right to receive payment is established.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 3 Summary of significant accounting policies (continued)

#### y) Disclosure of impact of accounting standards

##### i) New and amended standards adopted by the group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework - amendments to IFRS 3
- Property, Plant & Equipment - Proceeds before Intended Use - amendments to IAS 16
- Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37
- Annual Improvements to IFRS Standards 2018 - 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### ii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### Company impact of new standards

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those applied in the preparation of the Group's financial statements, except for investments in subsidiaries that are stated at cost, which is the fair value of the consideration paid, less provision for impairment. These policies have been consistently applied to all the years presented.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the KCA Deutag Group and are not managed separately.

#### z) Discontinued operations

Discontinued operations are excluded from the Statutory totals of the Group and are separated on the income statement and related notes. Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### 4 Significant accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### a) Critical accounting estimates and assumptions

##### (i) Useful economic lives of property, plant and equipment and other intangible assets

The annual depreciation charge for property, plant and equipment and other intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Notes 11 and 13 for the carrying amount of property, plant and equipment and other intangible assets and Notes 3f) and 3e) for the useful lives for each class of asset.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 4 Significant accounting judgements and estimates (continued)

##### a) Critical accounting estimates and assumptions (continued)

###### (ii) Estimated impairment of non current assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3g). The recoverable amounts of the cash generating units (CGUs) have been determined based on fair value less estimated cost to dispose calculations. These calculations require the use of certain estimates of the future profitability and cash flows of each CGU. These are subject to the impact of changing market conditions, our competitors and the future operational performance of the Group. See Note 12 for the disclosure, key assumptions and sensitivity analysis in relation to the impairment calculation.

During the year ended 31 December 2022 a review was undertaken of the Group's intangible assets to determine the appropriateness of their carrying values. This review took account of current as well as forecast market conditions experienced by the Group. The benefit obtained from our customer relationships and contracts and trade names was assessed with respect to each Business Unit.

During the year ended 31 December 2022 a review was undertaken of the carrying values of the Group's Land Drilling rigs. Factors considered included the age of the rig, client contract backlog and forecast utilisation, comparable rig data across the Group's fleet as well as current and forecast market conditions within the country in which the rig operates.

###### (iii) Retirement benefit obligations

The Group has an obligation to pay pension benefits to certain employees and former employees under defined benefit pension arrangements. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, future salary increases, inflation, asset valuations and the discount rate on high quality corporate bonds. Management, with the assistance of qualified actuaries, estimates these factors in determining the net pension obligation at each Balance Sheet date. The assumptions reflect historical experience and estimated future trends. See Note 28 for the disclosures and key assumptions in relation to the retirement benefit obligations. See Note 28 for the disclosures, key assumptions and sensitivities in relation to the retirement benefit obligations.

###### (iv) Acquisition accounting

When determining the fair value of assets acquired and consideration paid as part of an acquisition, management have worked with valuation experts in order to conclude on the values which are used to arrive at the fair values and goodwill figures included in the financial statements with regard to significant acquisitions. Sensitivity analysis has been performed by the valuation experts around the fair value of the net assets acquired. The values included in Note 6 represent management's estimate as to their fair values at the date of acquisition, and goodwill arising on the acquisition, taking into account these sensitivities.

##### b) Critical judgements in applying the accounting policies

###### (i) Income taxes

The Group is subject to income taxes in numerous jurisdictions and judgement is required in determining the provision for uncertain tax positions in respect of income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

###### (ii) Recoverability of deferred tax balances

The Group exercises judgement in determining if deferred tax assets can be recognised. They will only be recognised to the extent that it is probable that future taxable profits will be available. These are determined based on business plans for individual subsidiaries in the Group.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 4 Significant accounting judgements and estimates (continued)

##### b) Critical judgements in applying the accounting policies

###### (iii) Provisions and contingent liabilities

We exercise judgement in determining the timing and quantum of all provisions to be recognised. Our assessment includes consideration of whether we have a present obligation, whether payment is probable and if so whether the amount can be estimated reliably. As part of this assessment, we also assess the likelihood of contingent liabilities occurring in the future which are not recognised as liabilities on our Balance Sheet. By their nature, contingent liabilities will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes.

###### (iv) Revenue recognition - performance obligations satisfied over time

Performance obligations arising from lump sum upfront payments such as mobilisation and demobilisation fees or customer funded capital expenditure, are amortised on a straight line basis over the primary period of the drilling contract. This treatment, in the Group's judgement, is consistent with the economics of the contract agreed with the customer.

###### (v) Discontinued operations

When considering the impact of the Group's exit from Russia, judgement was exercised as to when a disposal event took place in order to conclude that the Group's Russian operations represent a discontinued operation under IFRS 5. As a result of the UK and EU sanctions enacted in July 2022, followed by the award of the Group's Russian Land Drilling Rigs to a local company, it was concluded that this constituted a disposal event and the Russian businesses became discontinued operations during 2022.

#### 5 Segmental reporting

The Group's primary segment reporting format is determined to be business segments. The Group is currently organised into three continuing business segments, which are as follows:

##### Operating Segment

Offshore Services

Kenera

Land Drilling

##### Principal Activities

the provision of offshore platform drilling services

the provision of drilling rig design, construction and components and engineering services

the provision of land rig drilling services

At the start of 2022, RDS and Bentec were combined to form the Kenera business unit. The 2021 figures have been adjusted to reflect this.

Reportable operating segments are identified as those that when aggregated represent at least 75% or more of the Group's external revenue. Discontinued operations represent the results of the Group's previously operated Russian businesses which were exited during 2022. Central overheads have been shown separately to provide additional information as a reconciliation to the primary statements. Central overheads consist of administration and related expenses of the Group. The KPI used to measure divisional profitability is EBITDA, before exceptional items.

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.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 5 Segmental reporting (continued)

The following tables present revenue, profit (loss) and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2022.

Year ended 31 December 2022	Offshore Services \$m	Kenera \$m	Land Drilling \$m	Central Overheads \$m	Eliminations \$m	IFRS 8 Total \$m	Discontinued operations \$m	Statutory continuing \$m
<b>Revenue</b>								
External revenue	586.6	154.9	530.4	-	-	1,271.9	184.6	1,087.3
Inter segment revenue	-	12.8	0.7	0.5	(14.0)	-	-	-
<b>Total revenue</b>	<b>586.6</b>	<b>167.7</b>	<b>531.1</b>	<b>0.5</b>	<b>(14.0)</b>	<b>1,271.9</b>	<b>184.6</b>	<b>1,087.3</b>
<b>Results</b>								
EBITDA	107.5	10.4	147.8	(15.6)	-	250.1	47.6	202.5
Exceptional items - net operating	(20.1)	(43.8)	(34.3)	(19.0)	-	(117.2)	(99.0)	(18.2)
Impairment of property, plant & equipment	-	(7.3)	(114.7)	-	-	(122.0)	(122.0)	-
Depreciation of property, plant and equipment	(2.8)	(2.0)	(102.8)	-	-	(107.6)	(8.8)	(98.8)
Depreciation of right of use assets	(6.4)	(0.4)	(35.1)	(1.1)	-	(43.0)	(1.0)	(42.0)
Intangible asset amortisation	(1.5)	(1.1)	(0.5)	(0.9)	-	(4.0)	-	(4.0)
Impairment of goodwill	-	-	(120.0)	-	-	(120.0)	(120.0)	-
<b>Operating profit (loss)</b>	<b>76.7</b>	<b>(44.2)</b>	<b>(259.6)</b>	<b>(36.6)</b>	<b>-</b>	<b>(263.7)</b>	<b>(303.2)</b>	<b>39.5</b>
Net finance costs	-	-	-	(75.4)	-	(75.4)	5.3	(80.7)
<b>Profit (loss) before taxation</b>	<b>76.7</b>	<b>(44.2)</b>	<b>(259.6)</b>	<b>(112.0)</b>	<b>-</b>	<b>(339.1)</b>	<b>(297.9)</b>	<b>(41.2)</b>
Taxation	-	-	-	-	-	(32.8)	3.7	(36.5)
<b>Loss for the year</b>						<b>(371.9)</b>	<b>(294.2)</b>	<b>(77.7)</b>
<b>Assets and liabilities</b>								
Segment assets	382.4	187.1	1,362.0	15.4	-	1,946.9	-	1,946.9
Unallocated assets	-	-	-	-	-	241.1	-	241.1
<b>Total assets</b>						<b>2,188.0</b>	<b>-</b>	<b>2,188.0</b>
Segment liabilities	(108.3)	(92.7)	(376.2)	(67.8)	-	(645.0)	-	(645.0)
Unallocated liabilities	-	-	-	-	-	(1,113.6)	-	(1,113.6)
<b>Total liabilities</b>						<b>(1,758.6)</b>	<b>-</b>	<b>(1,758.6)</b>
<b>Other segment information</b>								
<b>Capital expenditure</b>								
Property, plant and equipment	2.3	0.5	57.7	0.3	-	60.8	-	60.8
Intangible assets	-	1.1	0.1	3.8	-	5.0	-	5.0



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 5 Segmental reporting (continued)

The following tables present revenue, profit (loss) and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2021.

Year ended 31 December 2021	Offshore Services \$m	Kenera \$m	Land Drilling \$m	Central Overheads \$m	Eliminations \$m	IFRS 8 Total \$m	Discontinued operations \$m	Statutory continuing \$m
<b>Revenue</b>								
External revenue	573.3	132.4	490.6	-	-	1,196.3	246.2	950.1
Inter segment revenue	-	8.1	0.9	0.6	(9.6)	-	-	-
<b>Total revenue</b>	<b>573.3</b>	<b>140.5</b>	<b>491.5</b>	<b>0.6</b>	<b>(9.6)</b>	<b>1,196.3</b>	<b>246.2</b>	<b>950.1</b>
<b>Results</b>								
EBITDA	103.0	8.5	142.6	(16.7)	-	237.4	72.6	164.8
Exceptional items - net operating	-	(0.8)	(4.0)	(8.6)	-	(13.4)	(1.3)	(12.1)
Exceptional items - net impairment gains on other non current assets	-	-	5.9	-	-	5.9	-	5.9
Depreciation of property, plant and equipment	(2.7)	(2.6)	(96.4)	-	-	(101.7)	(27.7)	(74.0)
Depreciation of right of use assets	(7.5)	(0.8)	(27.8)	(1.3)	-	(37.4)	(1.4)	(36.0)
Intangible asset amortisation	(1.5)	(1.1)	-	(0.9)	-	(3.5)	-	(3.5)
<b>Operating profit (loss)</b>	<b>91.3</b>	<b>3.2</b>	<b>20.3</b>	<b>(27.5)</b>	<b>-</b>	<b>87.3</b>	<b>42.2</b>	<b>45.1</b>
Net finance costs	-	-	-	(57.7)	-	(57.7)	0.3	(58.0)
<b>Profit (Loss) before taxation</b>	<b>91.3</b>	<b>3.2</b>	<b>20.3</b>	<b>(85.2)</b>	<b>-</b>	<b>29.6</b>	<b>42.5</b>	<b>(12.9)</b>
Taxation	-	-	-	-	-	(4.6)	(4.0)	(0.6)
<b>Profit for the year</b>						<b>25.0</b>	<b>38.5</b>	<b>(13.5)</b>
<b>Assets and liabilities</b>								
Segment assets	359.7	195.9	1,048.6	29.6	-	1,633.8	291.7	1,342.1
Assets classified as held for sale	-	-	15.6	-	-	15.6	-	15.6
Unallocated assets	-	-	-	-	-	221.9	-	221.9
<b>Total assets</b>						<b>1,871.3</b>	<b>291.7</b>	<b>1,579.6</b>
Segment liabilities	(126.2)	(76.5)	(328.8)	(35.8)	-	(567.3)	(41.0)	(526.3)
Unallocated liabilities	-	-	-	-	-	(503.7)	-	(503.7)
<b>Total liabilities</b>						<b>(1,071.0)</b>	<b>(41.0)</b>	<b>(1,030.0)</b>
<b>Other segment information</b>								
<b>Capital expenditure</b>								
Property, plant and equipment	3.5	1.0	35.9	-	-	40.4	12.0	28.4
Intangible assets	-	1.6	0.2	0.6	-	2.4	0.2	2.2

The discontinued operations relate to the abandonment of business in Russia which was split across Offshore Services, Kenera and Land business segments.

Included in the above revenue figures are the following amounts of flow-through turnover:	2022 \$m	2021 \$m
Offshore Services	88.2	71.8
Kenera	21.8	13.6
Land Drilling	11.5	16.2

Flow-through turnover is defined as turnover in respect of the purchase of equipment and materials on behalf of customers which is recharged at minimal or no margin.

Unallocated assets and liabilities represent investments, cash, derivatives, tax and borrowings.

All inter-segment revenues are priced on an arm's length basis and are fully eliminated on consolidation. Results arising from revenues between segments are not material.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 5 Segmental reporting (continued)

### Geographical Segments

The Group manages its business segments on a global basis divided into five geographical areas and does not manage nor maintain information on a country by country basis. As a result, the Group voluntarily presents additional geographical segmental information on an area basis. The UK is the home country of the parent. The five main geographical areas are as follows:

- North Sea and Europe (including Caspian)
- Russia
- Middle East
- Africa
- Other

The following tables present revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2022 and 2021.

Year ended 31 December 2022	North Sea	Russia	Middle East	Africa	Other	Total
	and Europe					
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Revenue</b>	556.6	184.6	430.9	74.0	25.8	<b>1,271.9</b>
<b>Other segment information</b>						
Segment assets	413.8	-	1,418.9	111.8	2.4	<b>1,946.9</b>
Unallocated assets						<b>241.1</b>
<b>Total assets</b>						<b>2,188.0</b>
<b>Capital expenditure of continuing operations</b>						
Property, plant & equipment	18.0	6.0	35.2	1.6	-	<b>60.8</b>
Intangible assets	5.0	-	-	-	-	<b>5.0</b>

Year ended 31 December 2021	North Sea	Russia	Middle East	Africa	Other	Total
	and Europe					
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Revenue</b>	523.4	246.2	336.2	69.5	21.0	<b>1,196.3</b>
<b>Other segment information</b>						
Segment assets	523.1	291.7	719.0	94.4	5.6	<b>1,633.8</b>
Assets classified as held for sale	-	-	-	15.6	-	<b>15.6</b>
Unallocated assets						<b>221.9</b>
<b>Total assets</b>						<b>1,871.3</b>
<b>Capital expenditure of continuing operations</b>						
Property, plant & equipment	4.5	12.0	19.9	0.9	3.1	<b>40.4</b>
Intangible assets	2.2	0.2	-	-	-	<b>2.4</b>



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 6 Business combinations

a) On 28 October 2022, as part of the Group's strategic plan to expand its Land Drilling operations, it completed the first and largest phase of the acquisition of Saipem SPA's Onshore Drilling Business. This phase encompasses Saudi Arabia, UAE and Africa where 100% of the ordinary share capital of each company was acquired. The acquisition of the Kuwait business completed on 31 January 2023 (Note 36). The acquisition of the Latin America, Romania and Kazakhstan businesses are expected to complete during 2023.

The fair value of the identifiable assets and liabilities of the Acquired Group as at the date of acquisition are set out in the table below.

The cash outflow of \$479.7 million per the Cash Flow Statement represents the cash consideration paid to the sellers and included a \$18.8 million prepayment in respect of the acquisition of the Kuwait Onshore Drilling business which completed on 31 January 2023 (Note 36).

	<b>Provisional Fair value \$m</b>
<b>Assets</b>	
Property, plant and equipment	485.1
Right of use leased assets	8.2
Intangible assets	33.1
Inventories and work in progress	34.0
Trade and other receivables	92.9
Deferred tax asset	5.3
	<b>658.6</b>
<b>Liabilities</b>	
Trade and other payables	82.6
Tax liabilities	1.2
Deferred tax liability	52.7
	<b>136.5</b>
<b>Total identifiable net assets</b>	<b>522.1</b>
Goodwill arising on acquisition	31.3
<b>Purchase consideration transferred</b>	<b>553.4</b>
<b>Purchase consideration</b>	
Cash	460.9
Shares issued, at fair value	92.5
<b>Total consideration</b>	<b>553.4</b>

Shares representing 10% of the voting rights were issued by the ultimate parent company to the seller as part of the consideration on behalf of the Group and has resulted in an increase in amounts payable to the ultimate parent company.

The revenue included in the consolidated income statement since 28 October 2022 contributed by the acquired group was \$77.9 million. The acquired group also contributed EBITDA of \$26.2 million over the same period.

If the acquired group had been consolidated from 1 January 2022, the consolidated income statement would include full year revenue of \$407.0 million and EBITDA of \$105.9 million resulting in statutory revenue of \$1,416.4 million and EBITDA of \$328.3 million for continuing operations.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 7 Finance costs - net

	2022 \$m	2021 \$m
<b>Statutory</b>		
Interest payable to immediate parent company	(4.3)	-
Interest payable on bank borrowings	(56.5)	(49.4)
Interest payable on finance leases	(11.3)	(11.5)
Commitment fees	(1.1)	-
Amortisation of arrangement fees	(1.7)	(1.2)
Other finance costs (a)	(24.8)	(2.4)
Exchange losses	(0.5)	(1.7)
<b>Finance costs</b>	<b>(100.2)</b>	<b>(66.2)</b>
Bank interest receivable	1.8	0.1
Other finance income	0.1	-
Exchange gains (b)	17.6	8.1
<b>Finance income</b>	<b>19.5</b>	<b>8.2</b>
<b>Statutory finance costs - net</b>	<b>(80.7)</b>	<b>(58.0)</b>
<b>Discontinued operations</b>		
Exchange gains (b)	5.3	0.3
<b>Discontinued operations finance income - net</b>	<b>5.3</b>	<b>0.3</b>
<b>Finance costs - net</b>	<b>(75.4)</b>	<b>(57.7)</b>

a) Other finance costs includes \$20.6 million of costs relating to the funding of the acquisition of Saipem SPA's Onshore Drilling Business.

b) Exchange gains include exchange movements during the year on non-functional currency inter-company positions, and on non-functional currency pension liabilities which are largely denominated in Euros.

#### 8 (Loss) profit before taxation

	2022 \$m	2021 \$m
The following items have been included in arriving at the Group's (loss) profit before taxation:		
Included within cost of sales:		
- Cost of inventories consumed	48.1	35.2
- Depreciation of property, plant and equipment (Note 11)	107.6	101.7
- Depreciation of right of use assets (Note 31)	43.0	37.4
- Net (gain) loss on disposal of property, plant and equipment	(1.3)	0.1
- Net foreign exchange operating loss	0.7	0.2
Included within both cost of sales and administration expenses:		
- Employee benefit expense (Note 27)	506.4	512.3
Impairment (gains) on financial and contract assets (Note 16)	(8.4)	(1.4)
Impairment (gains) losses on other non-current assets (Note 11, 12, 13)	122.0	(5.9)
Amortisation of other intangible assets (Note 13)	4.0	3.5



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 8 (Loss) profit before taxation (continued)

Auditors' remuneration / services provided by the Group's auditors and their associates:

	2022	2021
	\$m	\$m
Audit of the financial statements	0.7	1.0
Audit of subsidiaries	1.1	0.7
<b>Total audit</b>	<b>1.8</b>	<b>1.7</b>
<b>Fees payable to the Group's auditors and their associates for other services</b>		
Taxation compliance services	0.1	-
Other non-audit services not covered above	-	0.1
<b>Total non-audit services</b>	<b>0.1</b>	<b>0.1</b>
<b>Total fees</b>	<b>1.9</b>	<b>1.8</b>

The fees in the table above in 2022 relate to Ernst & Young LLP while in 2021 they relate to fees paid to the Group's previous auditors, PricewaterhouseCoopers LLP.

#### 9 Taxation

	2022	2021
	\$m	\$m
Current tax	30.1	28.3
Adjustments in respect of previous years	0.7	(0.5)
	<b>30.8</b>	<b>27.8</b>
Deferred tax	1.1	(24.0)
Adjustments in respect of previous years	0.9	0.8
	<b>2.0</b>	<b>(23.2)</b>
<b>Total tax charge</b>	<b>32.8</b>	<b>4.6</b>
Statutory	36.5	0.6
Discontinued operations	(3.7)	4.0
<b>Total operations tax charge</b>	<b>32.8</b>	<b>4.6</b>

The tax charge for the year varied from the standard effective rate of corporation tax in the UK for 2022 of 19% (2021: 19%) due to the following factors:

	2022	2021
	\$m	\$m
<b>(Loss) profit before taxation</b>	<b>(339.1)</b>	<b>29.6</b>
(Loss) profit before taxation at standard rate of corporation tax in the UK 19% (2021: 19%)	<b>(64.4)</b>	<b>5.6</b>
Effects of:		
Adjustments in respect of previous years	<b>(3.0)</b>	<b>0.2</b>
Non-recognition of current year losses	<b>15.0</b>	<b>10.6</b>
Derecognition/(recognition) of UK deferred tax asset	<b>7.9</b>	<b>(3.3)</b>
Derecognition/(recognition) of German deferred tax asset	<b>4.6</b>	<b>(4.6)</b>
Net impairment (gains) losses on non-current assets	<b>1.7</b>	<b>(1.1)</b>
Deemed profit tax on overseas profits	<b>6.3</b>	<b>7.2</b>
Different effective tax rates on overseas profits including the impact of taxes not computed in US Dollars and current year (gains) losses where no offset available	<b>(8.6)</b>	<b>(7.0)</b>
Change in tax rate	<b>(0.1)</b>	<b>(6.2)</b>
Tax impact on loss of Russia business	<b>46.7</b>	<b>-</b>
Fees associated with the acquisition of Saipem Onshore Drilling	<b>2.3</b>	<b>-</b>
Movement in deferred tax not recognised	<b>13.5</b>	<b>5.0</b>
Other permanent differences	<b>10.9</b>	<b>(1.8)</b>
<b>Total tax charge</b>	<b>32.8</b>	<b>4.6</b>

Movement in deferred tax not recognised primarily relates to non-deductible interest costs and Other permanent differences relate to legal and professional fees and foreign exchange.

**KCA Deutag Alpha Limited****Notes to the consolidated financial statements**

for the year ended 31 December 2022

**9 Taxation (continued)**

The Group has substantial activities in overseas jurisdictions where different rates of tax apply. The Group's effective rate of tax is therefore subject to fluctuations depending upon where the Group obtains contracts, the effective tax rates in the countries concerned and the availability of double tax relief. In many countries the Group's tax liability is calculated on the profits earned in local currency including exchange differences on the translation of US Dollar assets and liabilities into the local currency. During the year such exchange differences, as well as being unable to obtain tax relief on a substantial element of its interest costs, have had a material effect on the Group's tax charge.

**Factors affecting current and future tax charges**

The main UK corporation tax rate, substantively enacted on 24 May 2021, increases from 19% to 25% from 1 April 2023.

Summary of current tax liabilities:	2022	2021
	\$m	\$m
At 1 January	19.7	26.7
Charge to Income Statement	30.8	27.8
Tax paid	(29.6)	(33.4)
Offset of withholding tax	-	(1.4)
Exchange and other movements	0.7	-
<b>At 31 December</b>	<b>21.6</b>	<b>19.7</b>

Net income tax liabilities in the Group Balance Sheet include \$13 million (2021: \$12.9 million) relating to uncertain tax positions where management has had to exercise judgement in determining the most likely outcome in respect of the relevant issue. Where the final outcome on these issues differs to the amounts provided, the Group's tax charge will be impacted.

**10 Exceptional items**

Exceptional items included in operating profit (loss)	2022	2021
	\$m	\$m
<b>Statutory</b>		
Reorganisation costs (i)	(2.9)	(6.1)
Kenera dispute (ii)	(3.6)	(0.8)
IT exceptional costs (iii)	(1.6)	(5.2)
Saipem integration and transaction costs (iv)	(15.2)	-
Gain on disposal of Nigerian business and assets (v)	1.3	-
Mexico guarantee recovery (vi)	3.8	-
<b>Net charge statutory</b>	<b>(18.2)</b>	<b>(12.1)</b>
<b>Discontinued operations</b>		
Russia exit (vii)	(99.0)	(1.3)
<b>Net charge discontinued operations</b>	<b>(99.0)</b>	<b>(1.3)</b>
<b>Net charge to Income Statement</b>	<b>(117.2)</b>	<b>(13.4)</b>

i) Reorganisation costs in 2022 of \$2.9 million (2021: \$6.1 million) primarily relate to the Group's cost reduction, restructuring and redundancy expenditure along with professional fees associated with the Group's strategic activities, including looking at potential mergers and acquisitions.

ii) In 2022 the Group booked a charge of \$3.6 million (2021: \$0.8 million) relating to contractual disputes with customers and suppliers in its Kenera business, together with certain other related costs.

iii) In 2022 a charge of \$1.6 million (2021: \$5.2 million) was recorded in respect of costs involved in responding to a cyber-attack in December 2021 which restricted access to a number of the Group's back-office systems. These were predominantly costs involved in the restoration of system access.

iv) Integration and transaction costs of \$15.2 million are associated with the purchase of the Saipem Onshore Drilling business on 28 October 2022.

v) 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. Approval was granted by the Nigerian authorities in March 2022 with a credit of \$1.3 million being recorded representing the gain on the sale.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 10 Exceptional items (continued)

vi) During 2022, the Group recorded a credit of \$3.8 million relating to the recovery of funds in Mexico which had previously been consigned with a third party under a performance security, following the expiry of a time limit applicable to any client claim against those funds.

vii) During 2022, impairment provisions were booked against all the Group's Russian working capital positions in order to comply with sanctions announced on 21 July 2022.

#### 11 Property, plant and equipment

Group	Land and buildings- long leasehold improvements and freehold \$m	Drilling rigs and equipment \$m	Plant, machinery and vehicles \$m	Total \$m
<b>Cost</b>				
At 1 January 2022	34.6	1,720.3	96.0	1,850.9
Additions arising on acquisitions	11.7	472.5	0.9	485.1
Additions at cost	1.6	56.5	2.7	60.8
Transfers in	-	-	0.2	0.2
Disposals	(9.1)	(507.5)	(8.0)	(524.6)
Transfers out	-	(0.2)	-	(0.2)
Exchange adjustments	(0.6)	4.5	(7.9)	(4.0)
<b>At 31 December 2022</b>	<b>38.2</b>	<b>1,746.1</b>	<b>83.9</b>	<b>1,868.2</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2022	10.1	1,303.6	16.2	1,329.9
Charge for year	2.2	102.2	3.2	107.6
Impairment charge	6.4	114.8	0.8	122.0
Disposals	(9.1)	(507.5)	(8.0)	(524.6)
Exchange adjustments	(0.2)	0.1	(7.6)	(7.7)
<b>At 31 December 2022</b>	<b>9.4</b>	<b>1,013.2</b>	<b>4.6</b>	<b>1,027.2</b>
<b>Net carrying amount</b>				
<b>At 31 December 2022</b>	<b>28.8</b>	<b>732.9</b>	<b>79.3</b>	<b>841.0</b>

The \$507.5 million of disposals in drilling rigs and equipment relates to the disposal of Russian and Nigerian rigs in 2022.

Group	Land and buildings- long leasehold improvements and freehold \$m	Drilling rigs and equipment \$m	Plant, machinery and vehicles \$m	Total \$m
<b>Cost</b>				
At 1 January 2021	36.0	1,855.7	98.2	1,989.9
Additions at cost	-	39.5	0.9	40.4
Disposals	(1.4)	(171.1)	(1.0)	(173.5)
Exchange adjustments	-	(3.8)	(2.1)	(5.9)
<b>At 31 December 2021</b>	<b>34.6</b>	<b>1,720.3</b>	<b>96.0</b>	<b>1,850.9</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	9.8	1,380.4	16.2	1,406.4
Charge for the year	1.2	97.5	3.0	101.7
Reversal of prior impairment	-	(5.9)	-	(5.9)
Assets classified as held for sale and other disposals	(0.9)	(161.5)	(1.0)	(163.4)
Exchange adjustments	-	(6.9)	(2.0)	(8.9)
<b>At 31 December 2021</b>	<b>10.1</b>	<b>1,303.6</b>	<b>16.2</b>	<b>1,329.9</b>
<b>Net carrying amount</b>				
<b>At 31 December 2021</b>	<b>24.5</b>	<b>416.7</b>	<b>79.8</b>	<b>521.0</b>



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 11 Property, plant and equipment (continued)

During the year ended 31 December 2021 an element of previous impairment was reversed in relation to assets disposed of in Nigeria during 2022.

During the year ended 31 December 2022 an impairment review was undertaken on assets due to sanctions imposed with Russia. This resulted in an overall impairment charge of \$122.0 million being recognised in the year.

As at 31 December 2022 cumulative capitalised interest of \$nil (2021: \$2.3 million) is included in the carrying value of drilling rigs and equipment. There was no interest capitalised during the year ended 31 December 2022 or 2021.

In relation to assets in the course of construction as at 31 December 2022, there are amounts included as follows: \$39.3 million (2021: \$24.7 million) included in drilling, rigs and equipment; \$1.2 million (2021: \$0.3 million) in plant, machinery and vehicles. No depreciation has been charged in respect of these assets.

The Company held no property, plant and equipment as at 31 December 2022 (2021: nil).

#### 12 Goodwill

Group	2022 \$m	2021 \$m
<b>Cost and carrying amount</b>		
As at 1 January	479.8	479.8
Arising on acquisition of Saipem Onshore Drilling business	31.3	-
Impairment of Land Drilling goodwill	(120.0)	-
<b>At 31 December 2022</b>	<b>391.1</b>	<b>479.8</b>

The Group acquired 100% of the share capital of Abbot Group plc in 2008. All tangible and intangible assets were recognised at their fair value at acquisition and the residual excess over the net assets acquired was recognised as goodwill.

From 1 January 2022, the RDS and Bentec CGUs were combined to form the Kenera CGU. 2021 figures have been restated to reflect this amendment to the Group's CGU structure.

The carrying amounts of goodwill by business segment are Offshore Services \$205.2 million (2021: \$205.2 million), Land Drilling \$129.0 million (2021: \$217.7 million), and Kenera \$56.9 million (2021: \$56.9 million). The Directors will continue to keep the carrying value of goodwill, intangible and tangible assets under review in the coming year. As a result of the annual review of the carrying value of its assets in 2022, a \$120.0 million impairment charge was booked in respect of goodwill in the Land Drilling Business Unit, as a result of the Group having to exit its Russian Land Drilling operation. There were no impairment charges in 2021.

Accumulated impairments as at 31 December 2022 for each CGU are as follows: Offshore Services \$229.6 million (2021: \$229.6 million); Land Drilling \$613.2 million (2021: \$493.2 million) and Kenera \$319.0 million (2021: \$319.0 million).

The Group tests goodwill annually for impairment or more frequently if there are any indications that goodwill may be impaired. Goodwill acquired through business combinations is allocated, at acquisition, to relevant CGUs. The recoverable amount, based on the fair value less costs of disposal is compared to the carrying value to identify any impairment.

The recoverable amounts of the CGUs are determined from discounted cash flow calculations. The key assumptions for the discounted cash flow calculations are those regarding discount rates, growth rates, rig day rates, rig utilisation and capital investment. Management estimates discount rates using post tax rates that reflect current market assessments of the time value of money and risks specific to each of the CGUs.

The Group prepared updated financial forecasts in 2022, including cash flows for five years and extrapolated cash flows for the period beyond the initial five year plan based on expected growth rates for each CGU. These forecasts took into account current market conditions combined with management's view of future market conditions including rig day rates and rig utilisations, and capital investment. A terminal value has been applied to take account of the expected growth of each CGU into perpetuity.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 12 Goodwill (continued)

Key assumptions used in the impairment test are:

		Offshore Services	Land Drilling	Kenera
<b>Revenue growth rate</b>	<b>2022</b>	<b>(0.6)%</b>	<b>15.6%</b>	<b>31.8%</b>
	2021	3.2%	6.4%	22.9%
<b>Discount rate (post tax)</b>	<b>2022</b>	<b>12.5%</b>	<b>13.0%</b>	<b>11.0%</b>
	2021	13.0%	14.0%	11.8%
<b>EBITDA margin</b>	<b>2022</b>	<b>18.5%</b>	<b>34.7%</b>	<b>10.8%</b>
	2021	20.6%	32.9%	11.4%
<b>Annual undiscounted free cash flow (\$ million)</b>	<b>2022</b>	<b>38.7</b>	<b>113.1</b>	<b>20.1</b>
	2021	64.8	77.3	12.0
<b>Annual capital expenditure (\$ million)</b>	<b>2022</b>	<b>1.7</b>	<b>115.5</b>	<b>1.6</b>
	2021	1.7	62.5	1.7
<b>Recoverable amount of the CGU (\$ million)</b>	<b>2022</b>	<b>356.2</b>	<b>1,181.3</b>	<b>368.2</b>
	2021	641.4	758.1	226.0
<b>Carrying value of goodwill (\$ million)</b>	<b>2022</b>	<b>205.2</b>	<b>129.0</b>	<b>56.9</b>
	2021	205.2	217.7	56.9

Revenue growth rate is the average annual anticipated increase in each of the CGU's revenues over the five year forecast period. The long term growth rate has been assumed to be 2.0% (2021: 2.0%) for each of the CGUs after the end of the five year growth period.

As part of the annual impairment review, an assessment was made of the discount rates applicable to each CGU. As a result of this review, the discount rates for each CGU has been reduced compared to 2021. The main drivers behind the reduction is the removal of the impact of the higher-risk Russian businesses in each CGU as well as the impact of the Saipem acquisition on the Land CGU due to the majority of the business acquired being in lower risk territories such as Saudi Arabia.

EBITDA margin is annual EBITDA expressed as a percentage of annual revenues. The percentages in the table above show the average EBITDA margins for each of the CGUs over the five year forecast period.

Free cash flow is the average annual operating cash flow for each of the CGUs over the five year period.

Annual capital expenditure represents the average annual amount spent to purchase tangible fixed assets in the five year forecast period for each CGU.

### Sensitivity analysis

		Offshore Services	Land Drilling	Kenera
<b>Headroom (\$ million)</b>	<b>2022</b>	<b>91.7</b>	<b>229.2</b>	<b>279.7</b>
	2021	409.9	25.3	108.1

The table above showing headroom for each CGU demonstrates that each CGU has sufficient headroom and unless there were significant deteriorations in the Group's operating performance the carrying value of each CGU's assets at 31 December 2022 does not require to be impaired.

\$120m of goodwill within the Land Drilling CGU was associated with the disposed Russian operation and as such was impaired on exit of the Russian Land operations.

The variables which could result in the Group's trading performance deteriorating are discussed in the Business Review – Principal Risks and Uncertainties section on pages 10 to 15 of the Annual Report.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 12 Goodwill (continued)

The table below shows the potential reduction on CGU recoverable amounts of a 1% movement in each of our CGUs' key assumptions:

Sensitivity analysis		Offshore Services \$m	Land Drilling \$m	Kenera \$m
Terminal revenue growth rate: 1% decrease	2022	16.6	70.4	26.8
	2021	33.0	40.0	17.3
Discount rate (post tax): 1% increase	2022	28.3	104.6	41.4
	2021	53.3	60.7	25.2
EBITDA margin: 1% decrease	2022	49.0	87.1	45.1
	2021	56.1	54.2	2.0
Short-term revenue growth rate: 1% decrease	2022	37.0	107.6	20.6
	2021	46.0	62.6	3.1

#### 13 Other intangible assets

Group	Customer relationships and contracts \$m	Trade names \$m	Technology \$m	Total \$m
<b>Cost</b>				
At 1 January 2022	254.4	176.3	48.9	479.6
Additions	-	-	5.0	5.0
Additions arising on acquisition	33.1	-	-	33.1
Exchange	0.3	-	(2.7)	(2.4)
Disposals	-	-	(1.2)	(1.2)
<b>At 31 December 2022</b>	<b>287.8</b>	<b>176.3</b>	<b>50.0</b>	<b>514.1</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2022	254.4	167.1	42.4	463.9
Charge for the year	0.4	1.5	2.1	4.0
Disposals	-	-	(1.2)	(1.2)
Exchange	-	-	(2.1)	(2.1)
<b>At 31 December 2022</b>	<b>254.8</b>	<b>168.6</b>	<b>41.2</b>	<b>464.6</b>
<b>Net carrying amount</b>				
<b>At 31 December 2022</b>	<b>33.0</b>	<b>7.7</b>	<b>8.8</b>	<b>49.5</b>
<b>Remaining useful life</b>	<b>4 years</b>	<b>6 years</b>	<b>1-2 years</b>	



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 13 Other intangible assets (continued)

Group	Customer relationships and contracts	Trade names	Technology	Total
	\$m	\$m	\$m	\$m
<b>Cost</b>				
At 1 January 2021	254.4	176.3	47.7	478.4
Additions	-	-	2.4	2.4
Exchange	-	-	(1.2)	(1.2)
<b>At 31 December 2021</b>	<b>254.4</b>	<b>176.3</b>	<b>48.9</b>	<b>479.6</b>
<b>Accumulated amortisation</b>				
At 1 January 2021	254.4	165.6	41.3	461.3
Charge for the year	-	1.5	2.0	3.5
Exchange	-	-	(0.9)	(0.9)
<b>At 31 December 2021</b>	<b>254.4</b>	<b>167.1</b>	<b>42.4</b>	<b>463.9</b>
<b>Net carrying amount</b>				
<b>At 31 December 2021</b>	<b>-</b>	<b>9.2</b>	<b>6.5</b>	<b>15.7</b>
<b>Remaining useful life</b>	Not applicable	7 years	1-2 years	

The Company has no intangible assets (2021: nil).

#### 14 Investments

	2022 Company \$m	2021 Company \$m
<b>a) Shares in subsidiaries</b>		
<b>At 1 January &amp; 31 December</b>	<b>800.0</b>	<b>800.0</b>

Investments in subsidiaries are stated at cost. The carrying value of the Company's shares in subsidiaries is reviewed for impairment annually by management. The recoverable amount of the Group's CGUs is compared to the carrying value to determine whether any impairment charge is required. As a result of this review, there was no impairment charge booked in 2022 (2021: nil).

A list of subsidiary undertakings is given in Note 34.

	2022 Group \$m	2021 Group \$m
<b>b) Other investments</b>		
At 1 January	0.1	-
Acquisition of shares in listed company	9.8	-
Change in value of listed investment	(3.7)	-
Funding to joint venture	0.1	0.1
<b>At 31 December</b>	<b>6.3</b>	<b>0.1</b>

During the year to 31 December 2022 the Group made funding contributions to its joint venture KCA Deutag Kazakhstan LLP of \$0.1 million. The Group also acquired a shares in Clean Power Hydrogen Plc for \$9.8 million. At 31 December 2022, the Group recorded a \$3.7 million reduction in the value of its investment in Clean Power Hydrogen plc to reflect the market value applicable at that date.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 15 Inventories and work in progress

	2022 Group \$m	2021 Group \$m
Materials and consumables	136.8	87.8
Work in progress - engineering contracts	26.6	61.3
	<b>163.4</b>	<b>149.1</b>

The value of provisions against inventory was \$41.7 million (2021: \$20.4 million).

#### Engineering contracts - relating to rig manufacture

There are no accrued contract revenues which have been recognised as an asset on the Balance Sheet at the year end (2021: \$nil).

The status of contracts in progress at the end of the year is as follows:

	2022 Group \$m	2021 Group \$m
Gross amount due to customers for contract work presented as a liability	-	6.8

The Company has no inventories (2021: nil).

#### 16 Trade and other receivables

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
Trade receivables	243.6	239.4	-	-
Other receivables	21.1	16.6	0.6	0.1
Prepayments and accrued income	38.2	12.6	-	1.2
Contract assets	17.5	19.9	-	-
	<b>320.4</b>	<b>288.5</b>	<b>0.6</b>	<b>1.3</b>

The Group operates in over 20 countries around the world and in certain of these countries slow or late payment of outstanding accounts is the norm.

The following table details the age of the Group's trade receivables:	2022 \$m	2021 \$m
<b>Total</b>	<b>259.6</b>	<b>263.8</b>
Less provision for doubtful trade receivables	(16.0)	(24.4)
<b>Total trade receivables, net</b>	<b>243.6</b>	<b>239.4</b>

	2022 Gross receivables \$m	2022 Provision for impairment \$m	2022 Net receivables \$m	2021 Net receivables \$m
Current	210.6	(0.2)	210.4	195.9
Past due less than 90 days	17.1	-	17.1	38.0
Past due more than 90 days less than 180 days	11.6	-	11.6	1.9
Past due more than 180 days	20.3	(15.8)	4.5	3.6
<b>Total trade receivables</b>	<b>259.6</b>	<b>(16.0)</b>	<b>243.6</b>	<b>239.4</b>



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 16 Trade and other receivables (continued)

The movement on the provision of impairment for trade receivables is as follows:	<b>2022</b>	2021
	<b>\$m</b>	<b>\$m</b>
At 1 January	(24.4)	(25.8)
Provided	(0.2)	-
Released	8.2	1.1
Exchange difference	0.4	0.3
<b>At 31 December</b>	<b>(16.0)</b>	<b>(24.4)</b>

During 2022, the Group released provisions of \$8.2 million (2021: \$1.1 million) mainly in relation to balances paid by Nigerian customers.

The Group applies lifetime Expected Credit Losses (“ECLs”) to trade receivables, accrued revenue, and contract assets upon their initial recognition.

The Group assesses the ECLs on its receivables, which are based on the age of the outstanding receivable along with prior experience in relation to the specific customer as well as the jurisdiction in which the balance is due before booking any provision. As well as considering historical factors, the Group also considers each customer’s risk of default when determining the level of ECL provision.

Receivables are appropriately grouped by geographical region, product type or type of customer within each Business Unit, and separate calculations produced, if historical or forecast credit loss experience shows significantly different loss patterns for different customer segments.

Actual credit loss experience is then adjusted to reflect differences in economic conditions over the period the historical data was collected, current economic conditions, forward-looking information and the Group’s view of economic conditions over the expected lives of the receivables.

The following tables present the Group’s trade receivables by business segment:

Year ended 31 December 2022	Gross	Provision for	Net receivables	Receivable days
	receivables	impairment		
	\$m	\$m	\$m	
Offshore services	91.7	-	91.7	55
Land Drilling	153.8	(15.7)	138.1	55
Kenera	14.1	(0.3)	13.8	92
<b>Total at 31 December 2022</b>	<b>259.6</b>	<b>(16.0)</b>	<b>243.6</b>	<b>67</b>

Year ended 31 December 2021	Gross	Provision for	Net receivables	Receivable days
	receivables	impairment		
	\$m	\$m	\$m	
Offshore services	80.4	-	80.4	56
Land Drilling	158.7	(24.1)	134.6	81
Kenera	24.7	(0.3)	24.4	89
<b>Total at 31 December 2021</b>	<b>263.8</b>	<b>(24.4)</b>	<b>239.4</b>	<b>68</b>

Receivable days are calculated by allocating the closing trade receivables balance to current and prior year revenue. A receivable days calculation of 67 indicates that closing trade receivables represents the most recent 67 days of revenue.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 17 Contract assets and liabilities

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2022	2021
	\$m	\$m
<b>Contract assets</b>		
Balance at 1 January	19.9	20.2
Mobilisation and demobilisation costs deferred	5.4	1.4
Amounts charged to income statement	(7.8)	(1.7)
<b>Balance at 31 December</b>	<b>17.5</b>	<b>19.9</b>
	2022	2021
	\$m	\$m
<b>Contract liabilities</b>		
Balance at 1 January	40.4	36.9
Mobilisation and demobilisation income deferred	6.7	4.9
Amounts released to income statement	(10.8)	(1.4)
<b>Balance at 31 December</b>	<b>36.3</b>	<b>40.4</b>

a) **Significant changes in contract assets and contract liabilities**

- Contract assets mainly represent deferred costs incurred in relation to the mobilisation and demobilisation of land rigs.
- Contract liabilities mainly represent amounts paid in advance by customers for drilling rigs and components being built by the Group's Kenera Business Unit as well as deferred income arising from mobilisation income in our Land Drilling and Offshore Services Business Units.

b) **Revenue recognised in relation to contract liabilities**

- A \$(10.8) million increase in contract liabilities since 31 December 2021 has been recognised entirely as revenue in 2022 (2021: \$1.4 million reduction) with a reduction in deferred mobilisation and demobilisation income of \$(6.7) million (2021: \$4.9 million increase) being recognised as a liability in 2022.

c) **Unsatisfied Performance Obligations**

- The aggregate amount of the transaction price allocated to partially or fully unsatisfied performance obligations as at the year-end on confirmed purchase orders received prior to the year-end is \$51.1 million (2021: \$43.8 million). It is expected that 80% (2021: 81%) of this amount will be recognised as revenue in the 2023 financial year.

d) **Demobilisation revenues**

- Accrued revenues and costs related to demobilisation of land rigs are accounted for within trade receivables and accruals respectively.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 18 Cash and cash equivalents

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
Cash at bank and in hand	116.2	187.8	-	0.1
Cash held on money market funds	114.5	31.0	-	-
Cash and cash equivalents	230.7	218.8	-	0.1
Bank overdrafts	-	-	(11.5)	-
<b>Cash and cash equivalents - net</b>	<b>230.7</b>	<b>218.8</b>	<b>(11.5)</b>	<b>0.1</b>

The Group did not hold a bank overdraft balance on its net facility as at 31 December 2022 or 31 December 2021.

The Group has a cash pooling working capital facility in which individual entities such as the Company can hold overdraft balances provided that the overall cash value held by all companies within the facility is in net credit. As at 31 December 2022, Group's overall net facility was in credit by \$37.7 million (2021: \$32.7 million). At consolidated Group level, the net credit value of \$37.7 million is included within the 'cash at bank and in hand' value of \$116.2 million. As at 31 December 2022, the Company's accounts were overdrawn by \$11.5 million. As at 31 December 2021, the Company's accounts were in credit by \$ 0.1 million.

At 31 December 2022, the Group held cash on a money market fund account of \$114.5 million (2021: \$31.0 million). The fund has a "AAA" credit rating. The funds are immediately accessible, and the yield on the account as at 31 December 2022 was 4.08% (2021: 0.01% ).

	At 1 January 2022 \$m	Cash flow \$m	Non-cash movements \$m	Exchange movements \$m	At 31 December 2022 \$m
<b>Analysis of net debt</b>					
Cash and cash equivalents	218.8	30.0	(16.8)	(1.3)	230.7
Financial liabilities - borrowings long term	(494.0)	(338.9)	(1.7)	-	(834.6)
	<b>(275.2)</b>	<b>(308.9)</b>	<b>(18.5)</b>	<b>(1.3)</b>	<b>(603.9)</b>

The non-cash movements on cash & cash equivalents of \$16.8 million wholly relate to the write down of cash held by the Group within Russia. This is included within the Russia exit cost total of \$99.0 million shown on the exceptional costs disclosure (note 10).

The non-cash movements on long-term borrowings of \$1.7 million wholly relate to amortisation of capitalised arrangement fees.

#### 19 Trade and other payables

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
Trade payables	92.2	56.9	4.1	-
Other tax and social security payable	18.1	19.7	-	-
Other payables	28.3	28.5	-	-
Accruals	170.6	148.0	1.3	1.4
Payments received on account	1.5	3.5	-	-
Deferred income	24.7	26.7	-	-
	<b>335.4</b>	<b>283.3</b>	<b>5.4</b>	<b>1.4</b>



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 20 Financial liabilities - borrowings

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
<b>Non-current borrowings</b>				
Bank loans - secured	92.3	-	-	-
Senior Secured Notes	742.3	494.0	-	-
	<b>834.6</b>	494.0	-	-

#### Maturity of financial liabilities

The maturity profile of the carrying amount of the non-current financial liabilities at the Balance Sheet date was as follows:	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
<b>In more than one year, but not more than five years:</b>				
Bank loans - secured	100.0	-	-	-
Senior Secured Notes - fixed rate notes	500.0	500.0	-	-
Senior Secured Notes - floating rate notes	250.0	-	-	-
	<b>850.0</b>	500.0	-	-
Less: net capitalised arrangement fees (bank loans)	(7.7)	-	-	-
Less: net capitalised arrangement fees (Senior Secured Notes - fixed rate notes)	(4.7)	(6.0)	-	-
Less: net capitalised arrangement fees (Senior Secured Notes - floating rate notes)	(3.0)	-	-	-
	<b>834.6</b>	494.0	-	-

The average interest rate of the Group's borrowings at the Balance Sheet date including interest rate swaps was 11.0% (2021:9.9%).

As at 31 December 2022, the secured bank loans are wholly denominated in US Dollars. The secured bank loan borrowings comprise of term loan borrowings of \$100 million (2021: \$ nil), which bear interest payable on 3 month terms based on Term SOFR plus margins ranging from 6.25% to 6.50%. The maturity date of the bank loan facilities is in October 2027.

The liabilities of \$500 million in relation to the Senior Secured Fixed Rate Notes arose on completion of a \$500 million bond completed in December 2020. The Senior Secured Notes of \$500 million are wholly denominated in US Dollars and bear interest at a fixed rate of 9.9% payable every 6 months. The maturity date of the Senior Secured Notes of \$500 million is in December 2025. The Senior Secured Notes are listed on The International Stock Exchange (TISE).

The liabilities of \$250 million in relation to the senior secured floating rate notes arose on completion of a \$250 million issue completed in October 2022. The senior secured floating rate notes of \$250 million are wholly denominated in US Dollars and bear interest at a floating rate based on Term SOFR plus a margin of 9.0%, payable every 6 months. The maturity date of the senior secured floating rate notes of \$250 million is in December 2025. The senior secured floating rate notes are listed on The International Stock Exchange (TISE).

The Company held no financial liabilities at either 31 December 2022 or 31 December 2021.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 21 Financial instruments

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates and interest rates. The Group has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency financial instruments and other instruments to fix interest rates.

### a) Market risk

#### (i) Foreign exchange risk

The Group has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US Dollar. The Group is exposed to foreign exchange risks primarily with respect to the US Dollar, Sterling, Euro, Norwegian Krone and particularly the Russian Rouble, Canadian Dollar, Angolan Kwanza and Azeri Manat. The Company is exposed to foreign exchange risks primarily with respect to Sterling.

In order to protect the Group's Balance Sheet from movements in exchange rates, whenever practical, the Group seeks to achieve natural hedging by ensuring that expenses are borne in the same currency as related income. Where this is not possible, the Group has entered, to an extent, into forward exchange contracts to hedge the foreign currency exposure of its subsidiary companies. Changes in the forward contract fair values are booked through the Income Statement. At 31 December 2022, the Group had 6 foreign exchange forward contracts.

A movement of 10% is considered to represent a material fluctuation of exchange rates. Movements in all of the Group's major exchange rate pairings against the US Dollar have been considered as each has the potential to impact on the reported US Dollar consolidated profit/loss and net assets/liabilities.

If the US Dollar became 10% stronger against all other main currencies of the Group, as at 31 December 2022 this would give rise to exchange gains of \$1.0 million impacting on operating profit (2021: losses of \$0.4 million). If the US Dollar became 10% stronger against all other main currencies of the Company, as at 31 December 2022 this would give rise to exchange gains of \$0.2 million impacting on operating profit (2021: losses of less than \$0.1 million).

If the US Dollar became 10% weaker against all other main currencies of the Group, as at 31 December 2022 this would give rise to exchange losses of \$1.1 million impacting on operating profit (2021: gains of \$0.4 million). If the US Dollar became 10% weaker against all other main currencies of the Company, as at 31 December 2022 this would give rise to exchange losses of \$0.2 million impacting on operating profit (2021: gains of less than \$0.1 million).

If the US Dollar became 10% stronger against all other main currencies of the Group, as at 31 December 2022 this would give rise to a decrease in net finance costs of \$16.3 million (2021: decrease in costs of \$18.0 million). There would be no impact for the Company (2021: nil).

If the US Dollar became 10% weaker against all other main currencies of the Group, as at 31 December 2022 this would give rise to an increase in net finance costs of \$18.0 million (2021: increase in costs of \$19.8 million). There would be no impact for the Company (2021: nil).

#### (ii) Interest rate risk

The Group is exposed to interest rate risk on its interest-bearing borrowings and on its interest-generating cash balances. The Group's policy is to maintain a large percentage of its borrowings at fixed interest rates to generate the desired interest profile. As at 31 December 2022, approximately 59% (2021: 100%) of current and non-current borrowings were at fixed rates. The Company had no external borrowings at 31 December 2022 (2021: nil).

A movement of 1% is considered to represent a material fluctuation of interest rates.

If the average interest rate had been 1% higher during 2022, then the loss before taxation for the Group would have been \$1.0 million lower (2021: \$1.5 million lower). The impact for the Company would be that the loss before taxation would have been unchanged (2021: unchanged).

If the average interest rate had been 1% lower during 2022, assuming a floor rate of 0%, then the loss before taxation for the Group would have been \$0.4 million higher (2021: \$0.1 million higher). The impact for the Company would be that the loss before taxation would have been unchanged (2021: unchanged).



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 21 Financial instruments (continued)

### a) Market risk (continued)

#### (iii) Price risk

Neither the Group nor the Company is exposed to any significant price risk in relation to financial instruments.

### b) Credit risk

The Group's credit risk relates primarily to its trade receivables. The Group has a small number of customers who are primarily either well established international or national companies, or joint ventures thereof. An evaluation is carried out of the credit risk of each new customer, and when appropriate, suitable protections put in place through the use of trade finance instruments.

Each month, management review an aged debtor analysis and focus on debts which are overdue for payment. In addition, there is always a level of unbilled receivables which arise through certain contractual mechanisms and attention is also focused on getting these amounts billed to customers as quickly as possible.

A table showing the ageing of trade receivables is provided in Note 16.

The Group's policy is to deposit cash at institutions with an 'A' rating or better where possible. The Group held \$114.5 million on a money market fund account with a 'AAA' rating at 31 December 2022 (2021: \$31.0 million).

### c) Liquidity risk

At 31 December 2022, the Group is financed with \$750.0 million of other Senior Secured Notes, \$100.0 million of secured bank loans and a positive cash balance of \$230.7 million. The Company had no external borrowings at 31 December 2022 (2021: nil).

### d) Capital risk

The Group monitors its capital risk with reference to its long-term funding structure and leverage ratios such as gross debt to EBITDA and net debt to EBITDA.

There is no covenant requirement in relation to the Company.

The table below analyses both the Group's and Company's derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year \$m	Between 1 and 5 years \$m	Greater than 5 years \$m
<b>At 31 December 2022</b>			
Borrowings – bank loans and Senior Secured Notes	-	1,148.5	-
Lease liabilities	40.8	59.8	34.6
Trade and other payables	291.1	-	-
<b>At 31 December 2021</b>			
Borrowings - bank loans and Senior Secured Notes	-	693.4	-
Lease liabilities	41.8	78.8	40.7
Trade and other payables	233.4	-	-
<b>Company</b>			
<b>At 31 December 2022</b>			
Trade and other payables	-	5.4	-
<b>31 December 2021</b>			
Trade and other payables	-	1.4	-



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 21 Financial instruments (continued)

The table below analyses the Group's derivative financial instrument liabilities into relevant maturity groupings based on the remaining period from the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Less than 1 year \$m	Between 1 and 5 years \$m
<b>At 31 December 2022</b>		
<b>Foreign exchange contracts</b>		
Outflow - settlement	1.8	-
<b>At 31 December 2021</b>		
<b>Foreign exchange contracts</b>		
Outflow - settlement	-	-

The Group had 6 forward foreign exchange contracts at 31 December 2022. The maturity dates of these contracts range from January 2023 to June 2023.

The Group's derivative financial instrument assets were valued at \$0.4 million as at 31 December 2022 (2021: \$0.2 million). The Company has no derivative financial instrument assets or liabilities at 31 December 2022 (2021: \$nil).

All of the Group's forward exchange contracts are categorised as cash flow hedges.

#### e) Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other payables, trade and other receivables, short-term deposits and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments. Senior Secured Notes are publicly traded and as such the fair value is subject to fluctuation.

Group	2022 Book value \$m	2021 Book value \$m	2022 Fair value \$m	2021 Fair value \$m
<b>Fair value of long-term borrowings</b>				
Senior Secured Notes (Note 20) – level 1	742.3	494.0	713.0	533.0
Bank borrowings (Note 20) – level 2	92.3	-	92.3	-
Amounts owed to parent company (Note 33) – level 2	267.9	-	267.9	-
<b>Fair value of other financial assets and financial liabilities</b>				
Primary financial instruments held or issued to finance the Group's operations:				
Trade and other receivables (Note 16) – level 2	320.4	288.5	320.4	288.5
Cash and cash equivalents (Note 18) – level 2	116.2	187.8	116.2	187.8
Cash held on money market funds (Note 18) - level 2	114.5	31.0	114.5	31.0
Trade and other payables (Note 19) – level 2	291.1	233.4	291.1	233.4
Bank borrowings (Note 20) – level 2	-	-	-	-



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 21 Financial instruments (continued)

Company	2022 Book value \$m	2021 Book value \$m	2022 Fair value \$m	2021 Fair value \$m
<b>Fair value of other financial assets and financial liabilities</b>				
Primary financial instruments held or issued to finance the Group's operations:				
Bank overdrafts (Note 18) – level 2	11.5	-	11.5	-
Trade and other payables (Note 19) – level 2	5.4	1.4	5.4	1.4

The levels referred to in the table above relate to the following Fair Value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date;

Level 2: Valuations containing inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and

Level 3: Valuations containing unobservable inputs.

#### f) Derivative financial instruments

The fair value of derivative financial instruments at the Balance Sheet date was as follows:

Group	2022 Assets \$m	2021 Assets \$m	2022 Liabilities \$m	2021 Liabilities \$m
Forward foreign exchange contracts – cash flow hedges – current (level 2)	0.4	0.2	-	-
Foreign exchange contracts – current (level 2)	-	-	1.8	-

The Company had no derivative financial instruments at either 31 December 2022 or 31 December 2021.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

The Group's derivative financial instruments have been classified using the fair value hierarchy set out in the fair value accounting policy. The level in the fair value hierarchy that each instrument is categorised in is detailed in the table above.

There was no ineffectiveness recognised in the Income Statement from cash flow hedges in the year.

#### (i) Forward foreign exchange contracts

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2022 was \$12.3 million (2021: \$2.3 million).

#### (ii) Interest rate swaps

The Group had no outstanding interest rate swaps at either 31 December 2022 or 2021. The Group only uses cash flow hedges and did not enter into any fair value or net investment hedges during the reporting year.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 22 Provisions

Group	2022 \$m	2021 \$m
At 1 January	3.0	3.3
Provided during the year	1.1	1.8
Utilised	(0.8)	(2.0)
Released	(0.4)	(0.4)
Exchange adjustments	(0.2)	0.3
<b>At 31 December</b>	<b>2.7</b>	<b>3.0</b>

Provisions have been analysed between current and non-current as follows:

	2022 \$m	2021 \$m
Current	0.9	1.0
Non-current	1.8	2.0
	<b>2.7</b>	<b>3.0</b>

Provisions of \$2.5 million (2021: \$1.8 million) relate mainly to warranty obligations in respect of guarantees provided in the normal course of business relating to equipment supplied. These are normally for a period of not more than two years. Dilapidation provisions of \$0.1 million (2021: \$1.1 million) are provided on leased premises for which the majority of leases expire in 2036.

#### 23 Deferred tax

Deferred tax is calculated on temporary differences at the tax rate applicable to the country in which the liability or asset has arisen. The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior year.

	Fair market value \$m	Plant, property & Equipment \$m	Retirement benefit obligations \$m	Other including tax losses \$m	Total \$m
At 1 January 2021	(1.3)	22.9	-	9.1	30.7
Credit (charge) to Income Statement	0.2	5.9	-	11.1	17.2
Change in rate	-	6.2	-	-	6.2
Exchange adjustments	-	1.4	-	(1.5)	(0.1)
At 31 December 2021	(1.1)	36.4	-	18.7	54.0
Opening balance acquired	(47.3)	-	-	-	(47.3)
Credit (charge) to Income Statement	1.2	(0.1)	0.2	(2.2)	(0.9)
Exchange adjustments	-	(1.1)	-	-	(1.1)
<b>At 31 December 2022</b>	<b>(47.2)</b>	<b>35.2</b>	<b>0.2</b>	<b>16.5</b>	<b>4.7</b>

There are no deferred tax liabilities or assets within the Company as at 31 December 2022 (2021: nil).

The amounts as at 1 January 2021 and 31 December 2021 have been re-presented to illustrate the recognised gross deferred tax asset and deferred tax liability balances.

At 31 December 2022 the Group had deferred tax assets of \$5.6 million arising from tax losses (2021: \$8.3 million).

Fair market value relates to the unwinding of deferred tax liabilities arising from the acquisitions of assets from Saipem Onshore Drilling business in 2022 and Abbot Group plc in 2008.

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the table above.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 23 Deferred tax (continued)

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
Deferred tax assets	60.4	67.4	-	-
Deferred tax liabilities	(55.7)	(13.4)	-	-
	4.7	54.0	-	-

The \$60.4 million deferred tax asset is primarily made up of \$30.0 million for the UK, \$10.0 million for Oman, \$5.4 million for Norway, \$5.7 million for Saudi Arabia and \$3.3 million for Azerbaijan. The balance of \$6.0 million is made up of a number of smaller items. The deferred tax asset comprises of \$5.6 million of tax losses, \$38.0 million of fixed asset timing differences and \$16.8 million of other timing differences.

During the year ended 31 December 2022, the Group recognised a UK deferred tax asset of \$30.0 million (2021: \$38.0 million). The reduction is a result of lower forecast income following the loss of the Russian business. It is anticipated that taxable profits will arise in the foreseeable future in the UK against which the deferred tax asset will be offset.

The Group has also de-recognised the German deferred tax asset of \$4.6m as the German business is not forecast to have taxable profits in the foreseeable future against which the deferred tax asset will be offset.

The gross amount and expiry dates of losses available to carry forward as at 31 December 2022.

	Expiring within 5 years \$m	Expiring beyond 6 years \$m	Unlimited \$m	Total \$m
Losses for which a deferred tax asset is recognised	23.9	-	9.2	33.1
Losses for which no deferred tax asset is recognised	23.3	0.8	213.3	237.4
	47.2	0.8	222.5	270.5

The losses recognised of \$33.1 million are in relation to \$15.4 million for Oman, \$8.5 million for Kuwait and \$9.2 million for Norway. These losses are forecast to be utilised in the next 5 years.

The losses not recognised primarily relate to \$129.3 million for the UK, \$50.0 million for Germany, \$20.5 million for Saudi Arabia, \$7.3 million for Iraq, \$5.7 million for Algeria and \$5.0 million for Albania. The \$19.6 million balance of losses is made up of smaller items.

The increase of losses of \$97.0 million primarily relate to \$40.0 million for the UK and \$50.0 million for Germany with the \$7.0 million balance relating to smaller items.

The gross amount and expiry dates of losses available to carry forward as at 31 December 2021.

	Expiring within 5 years \$m	Expiring beyond 6 years \$m	Unlimited \$m	Total \$m
Losses for which a deferred tax asset is recognised	-	-	6.5	6.5
Losses for which no deferred tax asset is recognised	48.4	29.8	88.8	167.0
	48.4	29.8	95.3	173.5

Deferred tax has been recognised on unremitted earnings from overseas subsidiaries where payment is imminent. Where no payment is expected deferred tax is not recognised. As these earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. If the earnings were remitted tax of \$1.7 million would be payable (2021: \$1.1 million).



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 24 Share capital

The nominal share capital of the Company is in Sterling and is translated at the ruling exchange rate at the date of the transaction. The nominal value of each share is £1.

Authorised, issued and fully paid shares	2022 Number of shares	2021 Number of shares
At 01 January	1	6,960
Capital reduction	-	(6,959)
At 31 December	1	1

During the year ended 31 December 2021 6,959 ordinary £1 shares were cancelled as part of a capital reduction process.

At the Balance Sheet date 1 ordinary £1 share has been issued.

There have been no movements in share capital for the year to 31 December 2022.

#### 25 Share premium

	2022 Group and Company \$m	2021 Group and Company \$m
At 1 January	-	3,429.3
Share premium arising on refinancing	-	(3,429.3)
At 31 December	-	-

On 29th April 2021, KCA Deutag Alpha Limited completed a capital reduction to convert Share Capital and Share Premium balances to distributable reserves.

There have been no movements in share premium for the year to 31 December 2022.

#### 26 Retained earnings

	2022 Group \$m	2021 Group \$m	2022 Company \$m	2021 Company \$m
At 1 January	693.9	(2,752.2)	1,025.1	(2,404.6)
(Loss) profit for the year	(385.4)	13.2	(2.3)	0.4
Remeasurements on defined benefit pension schemes	8.1	8.6	-	-
Non controlling interest	-	(4.5)	-	-
Capitalisation of share premium reserve	-	3,429.3	-	3,429.3
Remeasurement on value of investment	(3.7)	-	-	-
Dividend to minority shareholder	(0.5)	(0.5)	-	-
At 31 December	312.4	693.9	1,022.8	1,025.1



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 27 Employees and Directors

	2022	2021
	Group	Group
	\$m	\$m
<u>Employee benefit expense for the Group during the year:</u>		
Wages and salaries	425.4	424.7
Social security costs	65.1	69.2
Other pension costs	15.9	18.4
	<u>506.4</u>	<u>512.3</u>

The other pension costs shown above of \$15.9 million (2021: \$18.4 million) relate to contributions to defined contribution schemes and current service costs relating to the defined benefit schemes.

Included in the total above are \$26.2 million (\$52.2 million) of costs relating to discontinued operations.

	2022	2021
	Group	Group
	Number	Number
<u>Average monthly number of people (including Executive Directors) employed:</u>		
Drilling and engineering	5,508	6,902
Support and administration	1,772	1,410
	<u>7,280</u>	<u>8,312</u>

	2022	2021
	\$m	\$m
<u>Key management compensation:</u>		
Salaries and short-term employee benefits	8.3	4.9
Post-employment benefits	0.2	0.2
	<u>8.5</u>	<u>5.1</u>

	2022	2021
	\$m	\$m
<u>The key management compensation figures include remuneration of two Directors:</u>		
Aggregate emoluments, including retirement benefits	3.8	2.3

Included above are the emoluments of two Directors of the Company. The emoluments of the highest paid director, including retirement benefit contributions, were \$2.3 million (2021: \$1.5 million). The Directors have no retirement benefits accruing under a defined benefit scheme. The other Directors who served during the year received no emoluments from other Group companies in respect of their services.

The Company has no employees.

#### 28 Retirement benefit obligations

The Group operates a number of pension schemes in various countries. In respect of defined benefit schemes, the Group operates two funded schemes in the UK, whilst in Germany the particular schemes are unfunded in line with local practice in those countries.

##### a) UK schemes

The Group operates two funded defined benefit schemes in the UK as follows:

(i) The KCA Drilling defined benefit scheme has been closed to new members for a number of years with existing members continuing to accrue benefits based on their current salary and number of years' service with the Group.

The most recent actuarial valuation of the scheme was carried out at 31 December 2022 by the Group's pension advisers and the principal assumptions made by the actuaries were:

	2022	2021
	%	%
Rate of increases in pensionable salaries	3.4	3.6
Rate of increase in pensions in payment and deferred pensions	2.3	2.4
Discount rate	4.8	2.0
Inflation assumption	3.4	3.6

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## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 28 Retirement benefit obligations (continued)

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

The life expectancy of a male member currently aged 40, retiring at age 65, is 89 years (2021: 89 years). The life expectancy of a female member currently aged 40, retiring at age 65, is 92 years (2021: 92 years).

The amounts recognised in the Balance Sheet are determined as follows:

	2022	2021
	\$m	\$m
Present value of funded obligations	(33.6)	(57.6)
Fair value of scheme assets	28.9	54.7
<b>Net liability</b>	<b>(4.7)</b>	<b>(2.9)</b>

The amounts recognised in the consolidated Income Statement are as follows:

	2022	2021
	\$m	\$m
Interest cost	0.9	0.8
Interest income	(0.8)	(0.5)
<b>Total included within the Income Statement</b>	<b>0.1</b>	<b>0.3</b>

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
	\$m	\$m
Present value of obligations at 1 January	57.6	64.5
Interest cost	0.9	0.8
Remeasurements:		
Gain from change in financial assumptions	(19.2)	(4.8)
Loss (gain) loss from change in demographic assumptions	-	(0.5)
Gain (loss) loss from effect of experience adjustments	1.9	(0.1)
Benefits paid	(1.8)	(2.0)
Exchange difference	(5.8)	(0.3)
<b>Present value of obligations, 31 December</b>	<b>33.6</b>	<b>57.6</b>

Changes in the fair value of plan assets are as follows:

	2022	2021
	\$m	\$m
Fair value of plan assets at 1 January	54.7	53.2
Interest income	0.8	0.5
Remeasurement: return on plan assets, excluding amounts included in interest expense/income	(20.0)	1.7
Employer contributions	0.8	1.8
Benefits paid	(1.8)	(2.0)
Exchange difference	(5.6)	(0.5)
<b>Fair value of plan assets, 31 December</b>	<b>28.9</b>	<b>54.7</b>

Analysis of the movement in the Balance Sheet liability:

	2022	2021
	\$m	\$m
At 1 January	2.9	11.3
Total expense as above	0.1	0.3
Contributions	(0.8)	(1.8)
Remeasurements	2.7	(7.1)
Exchange difference	(0.2)	0.2
<b>At 31 December</b>	<b>4.7</b>	<b>2.9</b>

Contributions expected to be paid to the plan during the year beginning after the Balance Sheet date are \$0.7 million (2021: \$0.9 million).

**KCA Deutag Alpha Limited****Notes to the consolidated financial statements**

for the year ended 31 December 2022

**28 Retirement benefit obligations (continued)**

Average life expectancy:

	2022	2021
Longevity at age 65 for current pensioners		
- Men	23	23
- Women	25	25
Longevity at age 65 for future pensioners		
- Men	24	24
- Women	27	27

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2021: 18 years).

The sensitivity of the defined obligation to changes in the weighted principal assumption is:

	Change in assumption	Impact on obligations	
		Increase in assumption	Decrease in assumption
		\$m	\$m
Discount rate	0.50%	(2.0)	2.3
Inflation rate	0.50%	1.0	(1.0)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

The fair value of the plan assets was:

	2022	2021
	\$m	\$m
Cash	4.3	2.9
Equity	0.1	10.6
Debt	24.5	41.2
	28.9	54.7

(ii) The OIS Teesside Limited defined benefit scheme is closed and the Group is responsible for the ongoing funding of the scheme.

The most recent actuarial valuation of the scheme was carried out at 31 December 2021 by the Group's pension advisers and the principal assumptions made by the actuaries were:

	2022	2021
	%	%
Rate of increase in pensions in payment and deferred pensions	3.3	3.4
Discount rate	4.9	1.8
Inflation assumption	3.4	3.6

The life expectancy of a male member currently aged 40, retiring at age 65, is 89 years (2021: 89 years). There are no female plan members.

The amounts recognised in the Balance Sheet are determined as follows:

	2022	2021
	\$m	\$m
Present value of funded obligations	(4.7)	(13.4)
Fair value of plan assets	5.3	13.6
<b>Net asset</b>	<b>0.6</b>	<b>0.2</b>



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 28 Retirement benefit obligations (continued)

The amounts recognised in the consolidated Income Statement are as follows:

	2022	2021
	\$m	\$m
Service cost	0.1	-
Interest cost	0.2	0.2
Interest income	(0.2)	(0.2)
<b>Total included within the Income Statement</b>	<b>0.1</b>	<b>-</b>

Changes in the present value of the defined benefits obligation are as follows:

	2022	2021
	\$m	\$m
Present value of obligations at 1 January	13.4	13.7
Service cost	0.1	-
Interest cost	0.2	0.2
Remeasurements:		
Loss from change in demographic assumptions	-	0.5
Gain from change in financial assumptions	(5.0)	(0.7)
Experience (gains) losses	0.1	0.2
Benefits paid	(2.8)	(0.4)
Exchange difference	(0.1)	(0.2)
<b>Present value of obligations, 31 December</b>	<b>5.9</b>	<b>13.3</b>

Changes in the fair value of plan assets are as follows

	2022	2021
	\$m	\$m
Fair value of plan assets at 1 January	13.6	13.0
Interest income	0.2	0.2
Benefits paid	(2.8)	(0.4)
Remeasurement: return on plan assets, excluding amounts included in interest expense/income	(4.3)	1.0
Exchange difference	(1.4)	(0.2)
<b>Fair value of plan assets, 31 December</b>	<b>5.3</b>	<b>13.6</b>

Analysis of the movement in the Balance Sheet (asset) liability:

	2022	2021
	\$m	\$m
At 1 January	(0.2)	0.7
Total expense as above	0.1	-
Remeasurements	(0.6)	(1.0)
Exchange difference	0.1	0.1
<b>At 31 December</b>	<b>(0.6)</b>	<b>(0.2)</b>

Contributions expected to be paid during the annual year after the Balance Sheet date are nil (2021: nil).

Average life expectancy:

	2022	2021
Longevity at age 65 for current pensioners		
- Men	23	23
- Women	n/a	n/a
Longevity at age 65 for future pensioners		
- Men	24	24
- Women	26	26



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 28 Retirement benefit obligations (continued)

The sensitivity of the defined obligation to changes in the weighted principal assumption is:

	Impact on obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$m	\$m
Discount rate	0.50%	(0.3)	0.3
Inflation rate	0.50%	0.2	(0.2)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

The fair value of the plan assets was:

	2022	2021
	\$m	\$m
Cash	1.2	1.4
Equity	0.3	4.6
Debt	3.8	7.6
	5.3	13.6

#### b) Germany schemes

The Group operates four defined benefit schemes in Germany. The schemes are unfunded in common with local practice and the total liabilities of the schemes are included as a Balance Sheet provision.

The schemes have been closed to new members for a number of years with existing members continuing to accrue benefits based on their current salary levels and number of years' service with the Group.

The life expectancy of a male member currently aged 40, retiring at age 65, is 88 years (2021: 88 years). The life expectancy of a female member currently aged 40, retiring at age 65, is 91 years (2021: 91 years).

The most recent actuarial valuation of the schemes was carried out at 31 December 2022 by the Group's pension advisers and the principal assumptions made by the actuaries were:

	2022	2021
	%	%
Rate of increase in pensionable salaries	3.5	2.0
Rate of increase in pensions in payment and deferred pensions	2.5	1.0
Discount rate	3.9	1.1
Inflation assumption	2.5	1.0

The amount recognised in the Balance Sheet is:

	2022	2021
	\$m	\$m
Present value of unfunded obligations	95.8	123.6



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 28 Retirement benefit obligations (continued)

The amounts recognised in the consolidated Income Statement are as follows:

	2022	2021
	\$m	\$m
Current service cost	0.4	0.6
Interest cost	1.2	1.3
<b>Total included within the Income Statement</b>	<b>1.6</b>	<b>1.9</b>

Changes in the present value of the defined benefit obligations as included in the Balance Sheet are as follows:

	2022	2021
	\$m	\$m
Present value of obligations at 1 January	123.6	139.8
Service cost	0.4	0.6
Interest cost	1.2	1.3
Remeasurements:		
(Gain) from change in financial assumptions	(17.4)	(2.5)
Experience loss	0.3	0.5
Benefits paid	(4.8)	(5.3)
Exchange difference	(7.5)	(10.8)
<b>Present value of obligations, 31 December</b>	<b>95.8</b>	<b>123.6</b>

Average life expectancy:

	2022	2021
Longevity at age 65 for current pensioners		
- Men	20	20
- Women	24	24
Longevity at age 65 for future pensioners		
- Men	23	23
- Women	26	26

The sensitivity of the defined obligation to changes in the weighted principal assumption is:

	Impact on obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$m	\$m
Discount rate	0.25%	(3.0)	3.1
Inflation rate	0.25%	3.2	(3.1)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

## 28 Retirement benefit obligations (continued)

### c) Total

The total provision in the consolidated Balance Sheet relating to pension liabilities is analysed as follows:

	2022	2021
	\$m	\$m
UK schemes		
- KCA	4.7	2.9
- OIS	(0.6)	(0.2)
Germany schemes	95.8	123.6
<b>At 31 December</b>	<b>99.9</b>	<b>126.3</b>

The Group also made contributions to defined contribution plans of \$15.9 million (2021: \$17.8 million).

## 29 Cash generated from (used in) operating activities

	2022	2021	2022	2021
	Group	Group	Company	Company
	\$m	\$m	\$m	\$m
<b>Cash generated from (used in) operating activities</b>				
(Loss) profit before taxation	(339.1)	29.6	(2.3)	0.4
Adjustments for:				
- depreciation of property plant and equipment	107.6	101.7	-	-
- depreciation of right of use assets	43.0	37.4	-	-
- impairment (reversal) of non current assets	122.0	(5.9)	-	-
- impairment of goodwill	120.0	-	-	-
- amortisation of intangible assets - other	4.0	3.5	-	-
- (gain) loss on sale of property, plant and equipment	(1.3)	0.1	-	-
Net movement in provisions and other liabilities and retirement benefit obligations	(3.4)	(9.1)	-	-
Net finance costs	75.4	57.7	2.4	-
Changes in working capital:				
- decrease (increase) in inventories and work in progress	19.5	(15.3)	-	-
- decrease (increase) in trade and other receivables	77.8	(43.1)	0.7	12.6
- (decrease) increase in trade and other payables	(58.1)	56.8	4.1	0.9
Net exchange differences from operating activities	6.5	(1.9)	-	-
<b>Cash generated from (used in) operating activities</b>	<b>173.9</b>	<b>211.5</b>	<b>4.9</b>	<b>13.9</b>

## 30 Contingent liabilities

The Company is a guarantor for Group senior secured debt facilities comprising of Senior Secured Notes and guarantee facilities. Security is given by a fixed and floating charge over the net assets of the Company.



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements for the year ended 31 December 2022

#### 31 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 Group \$m	2021 Group \$m
<b>Right of Use Assets:</b>		
Properties	38.6	38.6
Drilling rigs and equipment	43.5	58.8
Vehicles, Plant & Equipment	39.0	14.8
	121.1	112.2
<b>Lease Liabilities:</b>		
Current	54.0	40.2
Non-Current	74.8	80.9
	128.8	121.1

Additions to the right-of-use assets during the year were \$40.0 million (2021: \$48.6 million). \$24.0 million of the increase in Vehicles, Plant & Equipment relates to the acquisition of Saipem SPA's Onshore Drilling Business.

ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022 \$m	2021 \$m
<b>Depreciation charge of right-of-use assets</b>		
Properties	12.2	14.0
Drilling rigs & Equipment	15.3	14.4
Vehicles, Plant & Equipment	15.5	9.0
	43.0	37.4
Interest expense (included in finance cost)	11.3	11.5
Expense relating to short-term leases	0.1	0.4

The total cash outflow for leases in 2022 was \$49.6 million (2021: \$47.0 million).

#### 32 Capital and other financial commitments

	2022 \$m	2021 \$m
Contracts placed for future capital expenditure not provided in the financial statements	17.3	27.1

#### 33 Related party transactions

The following balances relate to transactions carried out with the Group and its parent company:

	2022 \$m	2021 \$m
<b>Group</b>		
Amounts owed by parent company	3.7	2.9
Amounts owed to parent company	(267.9)	-
<b>Company</b>		
Amounts owed by subsidiaries	548.7	224.2
Amounts owed by parent company	3.7	2.9
Amounts owed to parent company	(313.3)	(2.0)



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 33 Related party transactions (continued)

The Company is a wholly owned subsidiary undertaking of KCA Deutag International 3 Limited, the Company's ultimate parent undertaking and ultimate controlling company is KCA Deutag International Limited.

Key management compensation is disclosed in Note 27.

The following balances relate to transactions carried out with Group and its parent company:

	2022	2021
	\$m	\$m
Purchases	(5.3)	(2.9)
Finance costs	5.6	-
Recharge of costs in relation to Saipem acquisition	20.6	-

The following balances relate to transactions carried out by the Company and its associated parent companies:

	2022	2021
	\$m	\$m
Purchases	0.1	(2.9)
Finance costs	4.3	-

The terms of loans made to subsidiaries are disclosed in Note 14.

### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of KCA Deutag International 3 Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking and ultimate controlling company is KCA Deutag International Limited, which is registered in Jersey.

At 31 December 2022, the smallest and largest group in which the results of the Company are consolidated are those headed by KCA Deutag Alpha Limited and KCA Deutag International Limited respectively. Copies of financial statements of KCA Deutag Alpha Limited and KCA Deutag International Limited are available from Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX.

A full list of subsidiaries and joint ventures is shown below.

The Group's subsidiaries registered at 1 Park Row, Leeds, LS1 5AB are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Abbot Group Limited	Direct subsidiary	England and Wales	100%
KCA DEUTAG Rig Co. Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG (Land Rig) Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG UK Finance Plc	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Enterprises Limited	Indirect subsidiary	England and Wales	100%
Rig Design Services Holdings Limited	Indirect subsidiary	England and Wales	100%
RDS Energy Solutions Limited	Indirect subsidiary	England and Wales	100%
Abbot Investments (North Africa) Limited	Indirect subsidiary	England and Wales	100%
Abbot Holdings Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Drilling Group Limited	Indirect subsidiary	England and Wales	100%
KCA European Holdings Limited	Indirect subsidiary	England and Wales	100%
KCA DEUTAG Caspian Limited	Indirect subsidiary	England and Wales	100%



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)

The Group's subsidiaries registered at Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Europe BV	Indirect subsidiary	Scotland	100%
SET Drilling Company Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Drilling Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Drilling Services (UK) Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Technical Support Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Rig Design Services Limited	Indirect subsidiary	Scotland	100%
KCA DEUTAG Limited	Indirect subsidiary	Scotland	100%
Kenera Energy Solutions Limited (UK)	Indirect subsidiary	Scotland	100%
ProRig Limited	Indirect subsidiary	Scotland	100%
Abbot Keystone Limited	Indirect subsidiary	Scotland	100%

The Group's subsidiaries registered at 11757 Katy Freeway, Suite 600, Houston, TX, 77079, USA are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG LLC	Indirect subsidiary	USA	100%
KCA DEUTAG US Finance LLC	Indirect subsidiary	USA	100%

The Group's subsidiaries registered at Elenion Building, 2nd Floor, 5 Themistocles Dervis Street, Nicosia 1066, Cyprus are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA DEUTAG Overseas Limited	Indirect subsidiary	Cyprus	100%
KCA DEUTAG Holdings Limited	Indirect subsidiary	Cyprus	100%
KCA DEUTAG (Cyprus) Limited	Indirect subsidiary	Cyprus	100%

The Group's subsidiaries registered at Deilmannstrasse 1, 48455 Bad Bentheim, Germany are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Abbot Verwaltungsgesellschaft mbH	Indirect subsidiary	Germany	100%
KCA DEUTAG GmbH	Indirect subsidiary	Germany	100%
KCA DEUTAG Tiefbohrergesellschaft mbH	Indirect subsidiary	Germany	100%
KCA DEUTAG Drilling GmbH	Indirect subsidiary	Germany	100%
Bentec GmbH Drilling and Oilfield Systems	Indirect subsidiary	Germany	100%
Bentec Personalservice GmbH	Indirect subsidiary	Germany	100%

**KCA Deutag Alpha Limited****Notes to the consolidated financial statements**

for the year ended 31 December 2022

**34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)**

The Group's subsidiaries registered at Espehaugen 37, 5258 Blomsterdalen, 1201 Bergen, Norway are as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Holdings Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Drilling Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG MODU Operations AS	Indirect subsidiary	Norway	100%
Abbot Holdings Norge AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Offshore AS	Indirect subsidiary	Norway	100%
KCA DEUTAG Drilling Offshore Services AS	Indirect subsidiary	Norway	100%

The Group's subsidiaries registered at Jan Tinbergenstraat 432, 7559, St Hengelo, the Netherlands are as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Nederland BV	Indirect subsidiary	Netherlands	100%
KCA DEUTAG Investments BV	Indirect subsidiary	Netherlands	100%

The Group's subsidiaries registered at One Marina Boulevard # 28-00 Singapore 018989 are as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Tender Barges (Offshore) Pte Ltd	Indirect subsidiary	Singapore	100%
KCA DEUTAG PTE Limited	Indirect subsidiary	Singapore	100%

The Group's associate registered at 23B, Jalan 52/1, 46200 Petaling Jaya, Selangor, Malaysia is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Global Tender Barges Malaysia Sdn Bhd (in liquidation)	Indirect subsidiary	Malaysia	30%

The Group's subsidiary registered at San Blas 2 San Joaquin, Ciudad del Carmen, Campeche 24157 is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Global Tender Barges Mexico, S. de R.L. de C.V.	Indirect subsidiary	Mexico	99%

The Group's subsidiary registered at 5-9 Main Street, Gibraltar, GX11 1AA is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
International Air Drilling Company Limited	Indirect subsidiary	Gibraltar	100%

The Group's subsidiary registered at Erbil, English Village, Villa 357, Kurdistan is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Performance Drilling for Oil Services Limited	Indirect subsidiary	Iraq	100%



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)

The Group's subsidiary registered at Caledonian House, PO Box 1043, George Town, Grand Cayman, KY1-1102 Cayman Islands is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
ILI Corporation Limited	Indirect subsidiary	Cayman Islands	100%

The Group's subsidiary registered at 2/F Palm Grove House, PO Box 3340, Road Town, Tortola, British Virgin Islands is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Investments Limited	Indirect subsidiary	British Virgin Islands	100%

The Group's subsidiary registered at Oman KCA DEUTAG Drilling Company LLC, P.O. Box 74, Postal Code 328, Rumais, Sultanate of Oman is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Oman KCA DEUTAG Drilling Company (LLC)	Indirect subsidiary	Oman	70%

The Group's subsidiary registered P.O Box 12 78, Postal Code 133, Al-Khawai, Sultanate of Oman is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
International Drilling Technology (LLC)	Indirect subsidiary	Oman	76%

The Group's subsidiary registered at Km 16, PH-Aba Expressway, Opposite INTELS, Rumukurusi, Port-Harcourt, Nigeria is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Nigeria Limited	Indirect subsidiary	Nigeria	38%

The Group's subsidiary registered at Lot 5475, Simpang 68, Jalan Kerma Negara, Kuala Belait KA1931, Brunei Darussalam is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Drilling (Brunei) Sdn Bhd	Indirect subsidiary	Brunei	100%

The Group's subsidiary registered at 2km of Stary Tobolsky trakt, 8a, 625014 Tyumen, Russia is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
*Bentec Drilling and Oilfield Systems LLC	Indirect subsidiary	Russia	100%
*KCA DEUTAG Russia LLC	Indirect subsidiary	Russia	100%



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)

The Group's subsidiary registered at Chekhova St. 78, 6th Floor, Yuzhno-Sakhalinsk, 693008, Russia is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
*KCA DEUTAG Drilling LLC	Indirect subsidiary	Russia	100%

The Group's subsidiary registered at Schottegatweg Oost 44, Willemstad, Curaçao is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Deutag Overseas (Curaçao) NV	Indirect subsidiary	Netherlands Antilles	100%

The Group's subsidiary registered at PO Box 4327, Al Khobar 31952, Kingdom of Saudi Arabia is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Drilling Saudi Arabia Limited	Indirect subsidiary	Saudi Arabia	100%

The Group's subsidiary registered at 45 Hebron Way, Suite 201, St. John's NF, A1A 0P9, Canada is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Drilling Canada Inc.	Indirect subsidiary	Canada	100%

The Group's subsidiary registered at No.4 Rajeyan St., Goyabadi St., Zafar Ave., Tehran, Iran is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Iran Kish Drilling Company (in liquidation)	Indirect subsidiary	Iran	100%

The Group's subsidiary registered at Unit No. 804, DMCC Business Centre, Level No , Jewellery & Gemplex 3, Dubai, UAE is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
KCA DEUTAG Operations Services DMCC	Indirect subsidiary	UAE	100%

The Group's joint venture registered at 15 Chaikovsky Street, Almaty, Republic of Kazakhstan is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Bentec Kazakhstan Limited Liability Partnership	Joint venture	Kazakhstan	50%

The Group's subsidiary registered at 14th Floor ISR Plaza, 69 Nizami Street, Baku, AZ 1000 Azerbaijan is as follows:

<b>Name</b>	<b>Relationship to Company</b>	<b>Country of Incorporation</b>	<b>Percentage of ordinary shares held</b>
Turan Drilling & Engineering Company LLC	Indirect subsidiary	Azerbaijan	49%



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)

The Group's subsidiaries registered at Al Qurm, Bawshar, P.O. Box 739, 116 Muscat Governorate, Sultanate of Oman are as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy Global LLC	Indirect subsidiary	Oman	99%
KCA Deutag Energy National LLC	Indirect subsidiary	Oman	99%

The Group's subsidiaries registered at Ghala, Bawshar, P.O. Box 739, 116, Muscat Governorate, Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy LLC	Indirect subsidiary	Oman	70%
KCA Deutag Energy Rigs SPC	Indirect subsidiary	Oman	100%

The Group's subsidiary registered at Mina Al Fahel, Al Qurm, Bawshar, P.O.Box 739, 116, Muscat Governorate, Sultanate of Oman is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Energy International LLC	Indirect subsidiary	Oman	99%

The Group's subsidiary registered at Jan Tinbergenstraat 432, 7559 St Hengelo, the Netherlands is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Rider Cooperatief U.A.	Indirect subsidiary	Netherlands	100%

The Group's subsidiary registered at Third Floor, Gulf Axis Dana Office Building, Al Dana Al Shamalia, P.O Box: 79707, Dhahran 34258, Kingdom of Saudi Arabia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Gulf Drilling Limited	Indirect subsidiary	Saudi Arabia	100%

The Group's subsidiary registered at 04050, Ukraine, Kyiv, Mykoly Pymonenka Street 13, build. 1-B, office 31 is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Bentec TOB	Indirect subsidiary	Ukraine	100%

The Group's subsidiaries registered at PO Box 536, 13-14 Esplanade, St Helier, Jersey, JE4 5UR is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
International Energy Services Jersey Holding Co. Ltd	Indirect subsidiary	Jersey	100%
International Energy Services ROW Jersey Ltd	Indirect subsidiary	Jersey	100%
International Energy Services KSA Jersey Ltd	Indirect subsidiary	Jersey	100%



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 34 Subsidiary undertakings, other related undertakings and ultimate controlling party (continued)

The Group's subsidiary registered at Unit No. 2936, DMCC Business Centre, Level No , Jewellery & Gemplex 3, Dubai, UAE is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCAD International DMCC	Indirect subsidiary	UAE	100%

The Group's subsidiary registered at 8993 Duhuran, 3389-34521, Kingdom of Saudi Arabia is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
Saudi International Energy Services Company Ltd	Indirect subsidiary	Saudi Arabia	100%

The Group's joint venture registered at Republic of Kazakhstan, Atyrau Region, Atyrau, Sharipova Street, 26A, Block 1 ground floor is as follows:

Name	Relationship to Company	Country of Incorporation	Percentage of ordinary shares held
KCA Deutag Kazakhstan LLP	Joint venture	Kazakhstan	51%

\* The Russian entities noted above were subsidiaries during 2022 and have been deconsolidated subsequent to the exit from our Russian businesses.

#### Statutory audit exemptions

KCA Deutag Alpha Limited has agreed to issue guarantees over the liabilities of the following companies at 31 December 2022 under Section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company Name	Company number
KCA DEUTAG (Land Rig) Limited	05659113
KCA DEUTAG Drilling Group Limited	01059871
KCA European Holdings Limited	04286946
Abbot Investments (North Africa) Limited	05246036
Abbot Holdings Limited	02682916
Rig Design Services Holdings Limited	04286931
KCA DEUTAG Limited	SC349488
Prorig Limited	SC464570
SET Drilling Company Limited	SC167498



## KCA Deutag Alpha Limited

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 35 Assets classified as held for sale

##### a) Description

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.

A non-refundable deposit of \$0.9 million (5% of gross proceeds) was paid at this time. The non-refundable deposit was treated as deferred income in the accounts for the year ended 31 December 2021.

During Q1 2022, the sale has been considered by the Nigerian competition authorities. Approval for the transaction was given during March 2022. Therefore, as at 31 December 2021, the associated assets were presented as held for sale in the 2021 financial statements.

##### b) Assets classified as held for sale

	2022	2021
	Fair value	Fair value
	\$m	\$m
<b>Assets</b>		
Property, plant and equipment	-	9.5
Inventories	-	6.1
<b>Total assets of disposal group held for sale</b>	<b>-</b>	<b>15.6</b>

The value of provisions against inventories included in the above was \$2.4 million.

#### 36 Post balance sheet events

##### KCA Deutag completes acquisition of the Saipem Onshore Drilling business in Kuwait

On 1 February 2023, KCA Deutag completed a further stage of its transaction to acquire the Saipem Onshore Drilling business with the completion of the purchase of the business and assets of the Saipem Onshore Drilling Business in Kuwait.

As anticipated at the time of signing the initial Sale and Purchase agreement, completion of the acquisition of Saipem's Latin American Onshore Drilling business is expected later this year.