



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 986 709 770
Organisasjonsform: Aksjeselskap
Foretaksnavn: KCA DEUTAG OFFSHORE AS
Forretningsadresse: Espehaugen 37
5258 BLOMSTERDALEN

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Anders Langeland
Dato for fastsettelse av årsregnskapet: 10.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 17.08.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		15 000	26 000
Sum kostnader		15 000	26 000
Driftsresultat		-15 000	-26 000
Finansinntekter og finanskostnader			
Annen finansinntekt		1 000	26 000
Annen finansinntekt	5	18 000	0
Sum finansinntekter		19 000	26 000
Annen finanskostnad	5	33 000	52 000
Sum finanskostnader		33 000	52 000
Netto finans		-14 000	-26 000
Ordinært resultat før skattekostnad		-29 000	-52 000
Skattekostnad på ordinært resultat	4	-2 063 000	0
Ordinært resultat etter skattekostnad		2 034 000	-52 000
Årsresultat		2 034 000	-52 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		2 034 000	52 000
Sum overføringer og disponeringer		2 034 000	52 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	6	119 725 000	119 725 000
Sum finansielle anleggsmidler		119 725 000	119 725 000
Sum anleggsmidler		119 725 000	119 725 000
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	8	9 400 000	1 000
Sum fordringer		9 400 000	1 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		0	0
Sum bankinnskudd, kontanter og lignende		0	0
Sum omløpsmidler		9 400 000	1 000
SUM EIENDELER		129 125 000	119 726 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	68 343 000	68 343 000
Overkurs	7	124 783 000	124 783 000
Annen innskutt egenkapital	7	8 989 000	1 676 000
Sum innskutt egenkapital		202 115 000	194 802 000
Opptjent egenkapital			



Balanse

Beløp i: USD	Note	2020	2019
Annen egenkapital	7	-73 930 000	-75 964 000
Sum opptjent egenkapital		-73 930 000	-75 964 000
Sum egenkapital		128 185 000	118 838 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Kortsiktig konserngjeld	8	915 000	859 000
Annen kortsiktig gjeld	9	25 000	29 000
Sum kortsiktig gjeld		940 000	888 000
Sum gjeld		940 000	888 000
SUM EGENKAPITAL OG GJELD		129 125 000	119 726 000



To the General Meeting of KCA Deutag Offshore AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KCA Deutag Offshore AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 as required by laws and regulations, 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 information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - KCA Deutag Offshore AS



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

(2)



Independent Auditor's Report - KCA Deutag Offshore AS



Bergen, 10 June 2021
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)

(3)



 Securely signed with Brevio

Auditor's report

Signers:

Name	Method	Date
Olsen, Marius Kaland	BANKID_MOBILE	2021-06-10 09:37

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- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



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of the document.



KCA DEUTAG Offshore AS
Annual Report and Financial Statements
for the year ended 31 December 2020

Registered Number: 986 709 770



KCA DEUTAG Offshore AS

Annual report and financial statements

for the year ended 31 December 2020

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KCA DEUTAG Offshore AS

Corporate Information

Board of Directors

O Maier (appointed 17 June 2020)
R Lorentzen (resigned 17 June 2020)
A Hogg
B Tresselt (resigned 6 July 2020)
L Clow (resigned 5 February)
G Paver (resigned 5 February)
T E Aasland (appointed 6 July 2020)

Independent Auditors

PricewaterhouseCoopers AS
Sandviksbodene 2A
5035 Bergen
Norway

Business Address

Espehaugen 37
Blomsterdalen
5258 Bergen
Norway



KCA DEUTAG Offshore AS

Directors' report for the year ended 31 December 2020

The Directors submit their annual report to the members together with the audited accounts of the Company for the year ended 31 December 2020.

Directorate

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

O Maier
R Lorentzen
A Hogg
B Tresselt
L Clow
G Paver
T E Aasland

The business, operations and prospects

KCA DEUTAG Offshore AS was incorporated on 29 December 2003, but was inactive until February 2005. The Company's registered office is in Bergen, Norway.

The Company owns 100% of the shares of KCA DEUTAG PTE Limited which owns two land rigs. In addition, the Company owns 100% of the shares of KCA Deutag Drilling Offshore Services AS which is an offshore drilling service provider.

KCA DEUTAG PTE Limited continued to hold two Land drilling rigs during 2020; the T222 and T223. Both of which were based in Algeria. The T222 and T223 were operational in the first quarter of 2020 until the current contract ended.

KCA Deutag Drilling Offshore Services AS is an offshore drilling service provider. During 2020 the Company had 3 contracts for the provision of drilling services and all of these continue into 2021.

Going concern

The Company has net assets of \$129 million (2019: \$119 million), 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 onset of the pandemic and significant reduction in the oil price during the first quarter resulted in the Group reviewing its plans to refinance its debt facilities, the first of which was scheduled to fall due in May 2021. The Group's liquidity and covenant forecasts suggested that it would be very difficult for the Group to continue to comply with its quarterly leverage covenant under its loan documents. As a result, the Group decided to exercise the grace period available under its lending documents in relation to interest payments due at the start of April 2020. During this grace period, the Group entered into discussions with its lenders with a view to agreeing a restructuring of the Group's balance sheet and on 2 May 2020, the Group entered into a Standstill Agreement with its lenders. This agreement allowed the Group to defer interest payments and scheduled repayments of the Group's debt for three months. During the standstill period, the Group had certain obligations to comply with, including the provision of an updated 5 year business plan and restructuring proposal for consideration by the lenders.

On 31 July 2020, the Group entered into a binding Lock-up Agreement with the majority of its secured creditors in connection with a financial restructuring, which would result in a significant reduction in Group debt from c.\$1.9 billion to \$505 million, principally through the issuance of new five year \$500 million Senior Secured Notes. Post restructuring, the Group's annual interest cost is expected to be c.\$50 million (pre-restructuring net interest payable was c.\$170 million per year) and its leverage ratio is expected to fall to below two times EBITDA (pre-restructuring leverage was over 6 times EBITDA). On 21 December 2020, the Group completed the proposed financial restructuring through an English law scheme of arrangement under the Companies Act 2006 and the debt of c.\$1.9 billion was accordingly reduced on the same day. The Group was acquired by a new holding entity on completion, with additional equity of \$800 million being provided to the Group via a loan which was capitalised prior to the year end.



KCA DEUTAG Offshore AS

Directors' report for the year ended 31 December 2020 (continued)

Going concern (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.

Senior secured notes (US\$ 500,000k) and guarantee facilities which are available to KCA Deutag Alpha Limited and certain subsidiaries, including the Company, 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 over 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.

Financial/market related risk

Principal risk to the Company's future activities is mainly connected to the durability of the contract portfolio, in the form of option performance and award of new contracts. For further information on risk see note 2.

Health, security, environmental and corporate governance

The Company has no employees; all employees are subcontracted from other companies. The Board and management will work to establish equal positions and opportunities for men and women on the Board.

During the year there were no incidents involving the Company or its subsidiaries having an adverse environmental impact.

Income statement and balance sheet

The profit for the year is \$2,034k (2019: loss \$52k). Of the Company's liabilities, \$940k (2019: \$888k) are due within one year from balance sheet date.

There was no cash outflow during the year.

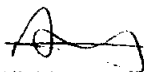
Annual result and year-end appropriations

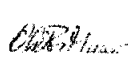
In 2020, the Company made a profit after tax of \$2,034k (2019: loss \$52k). The Board proposes this be allocated as follows:


Transferred to other equity profit of \$2,034k. After the above mentioned allocation, the Company's free equity totals \$nil.

At 31 December 2020 the Company has total equity of \$128,185k (2019: \$118,838k).

Bergen, 10 June 2021


Alisdair Hogg
Member of the Board


Ole Maier
Chairman of the Board


Tom Einar Aasland
Member of the Board


Thorbjørn Anhøj
General Manager



KCA DEUTAG Offshore AS

Independent auditors' report to the members of KCA DEUTAG Offshore AS

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KCA DEUTAG Offshore AS

**Independent auditors' report to the members of KCA DEUTAG Offshore AS
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KCA DEUTAG Offshore AS

**Independent auditors' report to the members of KCA DEUTAG Offshore AS
(continued)**

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KCA DEUTAG Offshore AS

Income statement for the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Operating expenses			
Other operating expenses		(15)	(26)
Operating loss		(15)	(26)
Financial income and financial expenses			
Other interest expenses		(33)	(52)
Other financial income		1	26
Exceptional item - gain on refinancing and extinguishment of debt	5	18	-
Net financial items		(14)	(26)
Loss before tax charge		(29)	(52)
Tax credit			
Tax credit on ordinary loss	4	2,063	-
Profit for the year		2,034	(52)
Applications:			
Transferred to other equity		2,034	(52)
Total applications		2,034	(52)

Statement of comprehensive income for the year ended 31 December 2020

	2020 \$'000	2019 \$'000
Profit for the year	2,034	(52)
Total other comprehensive income for year	-	-
Total comprehensive profit for the year	2,034	(52)



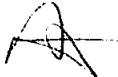
KCA DEUTAG Offshore AS


Balance Sheet as at 31 December 2020


	Note	2020 \$'000	2019 \$'000
Non-current assets			
<i>Financial assets</i>			
Investments in subsidiaries	6	119,725	119,725
Total non-current assets		119,725	119,725
Current assets			
<i>Receivables</i>			
Amounts due from group companies	8	9,400	1
Other receivables		-	-
Total receivables		9,400	1
<i>Cash and cash equivalents</i>		-	-
Total current assets		9,400	1
Total assets		129,125	119,726
Equity			
<i>Paid-in capital</i>			
Share capital	7	68,343	68,343
Share premium	7	124,783	124,783
Other paid in capital	7	8,989	1,676
Total paid-in equity		202,115	194,802
<i>Earned equity</i>			
Other equity	7	(73,930)	(75,964)
Total equity	7	128,185	118,838
Liabilities			
<i>Current liabilities</i>			
Amounts due to group companies	8	915	859
Other current liabilities	9	25	29
Total current liabilities		940	888
Total liabilities		940	888
Total equity and liabilities		129,125	119,726

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

Bergen, 10 June 2021


Alisdair Hogg
Member of the Board


Ole Maier
Chairman of the Board


Tom Einar Aasland
Member of the Board


Thorbjørn Anhej
General Manager



KCA DEUTAG Offshore AS

Cash flow statement for the year ended 31 December 2020

	2020	2019
	\$'000	\$'000
Loss before tax charge	(29)	(52)
Change in receivables	(9,399)	(1)
Change in payables	(4)	(32)
Tax paid	2,063	
Net cash flow used in operations	(7,369)	(85)
Proceeds from long term inter-company loans	56	85
Group contribution	7,313	
Net cash flow from financing	7,369	85
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

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



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies

The financial statements have been prepared in accordance with simplified International Financial Reporting Standards (IFRS) allowed by § 3-9 of the Norwegian accounting Act, under which the Company's accounting policies are in accordance with IFRS while notes to the financial statements are prepared in accordance with chapter 7 of the Norwegian Accounting Act.

Group affiliation

In accordance with the Accounting Act § 3-7 the Company does not prepare consolidated financial statements. The Company constitutes part of the consolidated financial statements of the KCA Deutag Alpha Limited, a company registered in England. The consolidated financial statements of KCA Deutag Alpha Limited have been filed with the UK Register of Company Accounts.

Use of 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 in the current income statement.

Foreign currency

The Company's functional currency is US\$ and the Company makes use of US\$ as accounting and presentation currency. Monetary items in foreign currency have been translated at the exchange rate prevailing at the year end.

Taxes

The financial statements are presented in the Company's functional currency US\$. The Company is liable to taxation according to Norwegian tax legislation and the basis for taxes has to be stated in NOK. Current transactions are translated to NOK using the average exchange rate. Basis for depreciation of operating equipment is translated at the exchange rate prevailing at the transaction date while carrying monetary items are translated at the exchange rate of the balance sheet date. Payable tax calculated in NOK is translated to US\$ using the exchange rate of the balance sheet date. Temporary difference for property, plant and equipment is calculated by comparing tax related value in NOK translated to US\$ at the balance sheet date with recognised value in US\$.

The tax charge in the income statement comprises both payable tax of the period and change in deferred tax. Deferred tax is calculated at 22% based on the temporary differences existing between accounting and tax related values, and carry forward losses for tax purposes at year end. 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 utilized.

Classification and valuation of balance sheet items

Current assets and current liabilities comprise items falling due within one year. Remaining items are classified as non-current assets/non-current liabilities.

Current assets are valued at the lower of acquisition cost and net realisable value. Current liabilities are recognised in the balance sheet at nominal value at the date of establishment of the liability.

Non-current assets are valued at acquisition cost but depreciated to recoverable amount if lower than carrying amount. Recoverable amount is the higher of net sales value and utility value. Non-current liabilities are recognised in the balance sheet at nominal value at the date of establishment.



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Investment in and return from investment in other companies

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

Dividend 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 the value of the investment in the balance sheet.

Inventory

Spares which are held for use in the Company's operations are stated at cost less a provision in respect of those spares attaching to older equipment.

Borrowings

Interest bearing loans are initially recorded at fair value including directly attributable transaction costs. Such transaction costs are amortised over the remaining term associated with the borrowings. Borrowings are stated net of the residual transaction costs.

Receivables

Trade receivables and other receivables are recognised in the balance sheet at nominal value less provision for bad debts. Provision for bad debts is based on individual assessment of each receivable.

Cash flow statement

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.

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 US\$ 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 US\$ 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.



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Financial market risk

Interest risk

The Company has no significant interest rate risk as its interest-bearing borrowings are of low value as at 31 December 2020.

Exchange risk

The Company's transactions are mainly in US\$. In order to protect the Company's balance sheet from movements in exchange rates, whenever practical, the Company seeks to achieve natural hedging by ensuring that expenses are borne in the same currency as related income. Where this is not possible, the Company has entered, to an extent, into exchange contracts to hedge its foreign currency exposure. Basis for taxes is settled in NOK and involves an element of exchange risk.

3 Wages, number of employees, remunerations, loans to employees and auditors' 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. \$9k excluding VAT (2019: \$9k) is recognised as auditors' fee.

4 Tax credit on ordinary result

The financial statements are presented in the Company's functional currency US\$. The Company is liable to taxation according to Norwegian tax legislation and the basis for taxes has to be stated in NOK. Current transactions are translated to NOK using the average exchange rate. Basis for depreciation of operating equipment is translated at the exchange rate prevailing at the transaction date while carrying monetary items are translated at the exchange rate of the balance sheet date. Payable tax calculated in NOK is translated to US\$ using the exchange rate of the balance sheet date. Temporary difference for property, plant and equipment is calculated by comparing tax related value in NOK translated to US\$ at the balance sheet date with recognised value in US\$.

	2020	2019
	\$'000	\$'000
Tax credit for the year		
Tax credit	2,063	-
Tax credit	2,063	-
Calculation of tax credit for the year		
Loss on operations before taxes	(29)	(52)
Taxable currency impact by translation of basis for taxes to NOK	26	(6)
Group contribution	9,376	-
Timing difference	3	(23)
Tax losses utilised	(9,376)	81
Basis for payable tax in the result accounting	-	-
Tax rate on Group contribution	22%	22%
Payable tax	-	-
Tax credit	2,063	-
	2,063	-
Tax receivable in the balance sheet		
At 1 January	-	-
Repayable tax charge for the year	-	-
Repayment during the year	-	-
At 31 December	-	-
Deferred tax asset		
At 1 January and 31 December	-	-



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

4 Tax credit on ordinary result (continued)

	2020	2019
	\$'000	\$'000
Calculation of deferred tax asset		
Property, plant and equipment	-	-
Long term debt	-	-
Tax losses	(21,408)	(29,904)
Taxable gain on sale of assets	(14)	(12)
Deferred tax assets not recognized	21,422	29,916
Basis for deferred tax asset	-	-
Tax rate	22%	22%
Deferred tax asset	-	-

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

5 Exceptional items

	2020	2019
	\$'000	\$'000
Exceptional items after operating loss		
Exceptional gain on refinancing and extinguishment of debt	18	-
Net credit to Income Statement	18	-

On 21 December 2020, the Group closed its financial restructuring whereby its secured debt was reduced from c. \$1.9 billion to c. \$0.5 billion via a debt for equity exchange with its secured lenders. As a result of this transaction, an exceptional gain of \$18k has been reflected in the Income Statement which represents the extinguishment of bank interest payable.

6 Investments in subsidiaries

	Business address	Owner's share voting share	Equity \$'000	Result \$'000	Book Value \$'000
KCA DEUTAG PTE. Ltd.	United Kingdom	100%	182,141	8,848	119,725
KCA Deutag Drilling Offshore Services AS	United Kingdom	100%	(141,958)	(1,814)	-
KCA DEUTAG Offshore UK Ltd.	United Kingdom	100%	-	-	-
			40,183	7,034	119,725

The Company owns 100% of the share capital and voting rights.

7 Equity

	Share capital \$'000	Share premium \$'000	Other paid in capital \$'000	Other equity \$'000	Total \$'000
At 1 January 2020	68,343	124,783	1,676	(75,964)	118,838
Other paid in capital	-	-	7,313	-	7,313
Profit for the year	-	-	-	2,034	2,034
At 31 December 2020	68,343	124,783	8,989	(73,930)	128,185



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Equity (continued)

The share capital of the Company consists of 67,676,891 ordinary shares of NOK 6.51, in total NOK 440,576,560.40. The paid-in share capital in was translated to US\$ at the currency exchange rate prevailing at the transaction date.

Increase in other paid capital reflects the group contribution received from another group company.

8 Intercompany balances with group companies

	2020	2019
	\$'000	\$'000
Amounts owed by group companies		
Abbot Group - short term receivable	24	-
KCA Deutag Drilling Norge AS - short term receivable	9,376	1
	9,400	1

	2020	2019
	\$'000	\$'000
Amounts owed to group companies		
Other short term payables	915	859
	915	859

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

9 Other Current Liabilities

	2020	2019
	\$'000	\$'000
Other	25	29
	25	29

10 Financial institutions

As at 31 December 2020 and 2019, the Company has no non-current liabilities owing to financial institutions.

Senior secured notes (US\$ 500,000k) and guarantee facilities which are available to KCA DEUTAG Alpha Limited and certain subsidiaries, including the Company, 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.



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Basis of preparation

The Company has net assets of \$129 million (2019: \$119 million), 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 onset of the pandemic and significant reduction in the oil price during the first quarter resulted in the Group reviewing its plans to refinance its debt facilities, the first of which was scheduled to fall due in May 2021. The Group's liquidity and covenant forecasts suggested that it would be very difficult for the Group to continue to comply with its quarterly leverage covenant under its loan documents. As a result, the Group decided to exercise the grace period available under its lending documents in relation to interest payments due at the start of April 2020. During this grace period, the Group entered into discussions with its lenders with a view to agreeing a restructuring of the Group's balance sheet and on 2 May 2020, the Group entered into a Standstill Agreement with its lenders. This agreement allowed the Group to defer interest payments and scheduled repayments of the Group's debt for three months. During the standstill period, the Group had certain obligations to comply with, including the provision of an updated 5 year business plan and restructuring proposal for consideration by the lenders.

On 31 July 2020, the Group entered into a binding Lock-up Agreement with the majority of its secured creditors in connection with a financial restructuring, which would result in a significant reduction in Group debt from c.\$1.9 billion to \$505 million, principally through the issuance of new five year \$500 million Senior Secured Notes. Post restructuring, the Group's annual interest cost is expected to be c.\$50 million (pre-restructuring net interest payable was c.\$170 million per year) and its leverage ratio is expected to fall to below two times EBITDA (pre-restructuring leverage was over 6 times EBITDA). On 21 December 2020, the Group completed the proposed financial restructuring through an English law scheme of arrangement under the Companies Act 2006 and the debt of c.\$1.9 billion was accordingly reduced on the same day. The Group was acquired by a new holding entity on completion, with additional equity of \$800 million being provided to the Group via a loan which was capitalised prior to the year end.

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.

Senior secured notes (US\$ 500,000k) and guarantee facilities which are available to KCA Deutag Alpha Limited and certain subsidiaries, including the Company, 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 over the next 12 months. For these reasons the Directors consider it appropriate to prepare the Group's financial statements on a going concern basis.



KCA DEUTAG Offshore AS

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Post Balance Sheet Events

There were no significant post balance sheet events.

13 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Abbot Holdings Norge AS.

The Company's ultimate controlling company is KCA Deutag International Limited, which is registered in Jersey.

At 31 December 2020, the smallest and largest group in which the results of the Company are consolidated are those headed by KCA Deutag Alpha Limited. Copies of financial statements of KCA Deutag Alpha Limited are available from Group Headquarters, Bankhead Drive, City South Office Park, Portlethen, Aberdeenshire, AB12 4XX



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

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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



Vedlegg Regnskapsloven § 3-7

I samsvar med regnskapsloven § 3-7 utarbeider ikke selskapet konsernregnskap. Selskapet inngår i konsernregnskapet til KCA Deutag Alpha Limited; et selskap registrert i England.

Konsernregnskapet til KCA Deutag Alpha Limited er levert inn til UK register of Company Accounts, men leveres også inn av KCA Deutag Holdings Norge AS (org nr 987 558 741) som er det øverste norske selskapet.