



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	990 397 082
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KCA DEUTAG DRILLING OFFSHORE SERVICES AS
Forretningsadresse:	Espehaugen 37 5258 BLOMSTERDALEN

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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Konsern

Morselskap i konsern:	Nei
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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			
Inntekter			
Salgsinntekt	3	30 318 000	42 261 000
Sum inntekter		30 318 000	42 261 000
Kostnader			
Leie av personell		15 138 000	19 875 000
Annen driftskostnad		11 939 000	16 712 000
Sum kostnader		27 077 000	36 587 000
Driftsresultat		3 241 000	5 674 000
Finansinntekter og finanskostnader			
Annen renteinntekt		20 000	48 000
Annen finansinntekt		60 000	130 000
Annen finansinntekt	5	2 268 000	0
Sum finansinntekter		2 348 000	178 000
Annen rentekostnad		4 117 000	6 580 000
Sum finanskostnader		4 117 000	6 580 000
Netto finans		-1 769 000	-6 402 000
Ordinært resultat før skattekostnad		1 472 000	-728 000
Skattekostnad på ordinært resultat	6	2 000	2 000
Ordinært resultat etter skattekostnad		1 470 000	-730 000
Årsresultat		1 470 000	-730 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		1 470 000	-730 000
Sum overføringer og disponeringer		1 470 000	-730 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum anleggsmidler		0	0
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		3 745 000	9 152 000
Andre fordringer	7	19 265 000	9 506 000
Sum fordringer		23 010 000	18 658 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		309 000	354 000
Sum bankinnskudd, kontanter og lignende		309 000	354 000
Sum omløpsmidler		23 319 000	19 012 000
SUM EIENDELER		23 319 000	19 012 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8	16 000	16 000
CTA-reserve	8	808 000	270 000
Sum innskutt egenkapital		824 000	286 000
Opptjent egenkapital			
Annen egenkapital	8	-126 104 000	-127 574 000
Sum opptjent egenkapital		-126 104 000	-127 574 000
Sum egenkapital		-125 280 000	-127 288 000



Balanse

Beløp i: USD	Note	2020	2019
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		12 000	12 000
Kortsiktig konserngjeld	9	148 558 000	145 750 000
Annen kortsiktig gjeld	9	29 000	538 000
Sum kortsiktig gjeld		148 599 000	146 300 000
Sum gjeld		148 599 000	146 300 000
SUM EGENKAPITAL OG GJELD		23 319 000	19 012 000



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.



To the General Meeting of KCA Deutag Drilling Offshore Services AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KCA Deutag Drilling Offshore Services AS, which comprise the balance sheet as at 31 December 2020, the profit & loss account, statement of comprehensive income and statement of cash flow 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.

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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 Drilling Offshore Services 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 Drilling Offshore Services AS



Bergen, 10 June 2021
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)



 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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KCA Deutag Drilling Offshore Services AS
Annual report and financial statements
for the year ended 31 December 2020

Registered Number (Norway): 990 397 082



KCA Deutag Drilling Offshore Services AS
Annual report and financial statements
for the year ended 31 December 2020

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Board of directors, auditors and business address

Board of Directors

Rune Lorentzen (resigned 17 June 2020)
Ole Maier (appointed 17 June 2020)
Lynne Clow (resigned 5 February 2020)
Alisdair Hogg
Gary Paver (resigned 5 February 2020)
Bjarne Tresselt (resigned 6 July 2020)
Tom Einar Aasland (appointed 6 July 2020)

Independent auditors

PricewaterhouseCoopers AS
Sandviksbodene 2A
5035 Bergen
Norway

Business Address

Group Headquarters
Bankhead Drive
City South Office Park
Portlethen
Aberdeenshire
AB12 4XX



KCA Deutag Drilling Offshore Services AS

Directors' report for the year ended 31 December 2020

The directors submit their report to the members together with the audited financial statements 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:

Rune Lorentzen
Ole Maier
Lynne Clow
Alisdair Hogg
Gary Paver
Bjarne Tresselt
Tom Einar Aasland

Nature of the activity

The Company's principal activity is as an offshore drilling service provider. This will continue throughout 2020.

The Company has a branch formed in Gabon – KCA Deutag Drilling Offshore Services AS – Gabon Branch.

The Company is a 100% owned subsidiary of KCA DEUTAG Offshore AS.

Operations and prospects

During 2020 the Company had three contracts for the provision of drilling services and all of these continue into 2021.

Gender equality

An objective of the Company is to provide a working environment where full gender equality is prevailing.

Traditionally men have been over-represented in the oil industry. Nevertheless the Company's policy is to work towards full gender equality in regard to positions, level of wages and recruitment. The Company shall provide the same possibilities for the employees independent of race, predilection, age, culture, nationality, religion, or sex.

Women and men shall be given the same opportunities for education, work and culture and skilled development. Women are invited to apply when the Company is recruiting for offshore positions. When recruiting for positions onshore the under-represented sex is invited to apply.

Going concern assumption

The Company has net liabilities of \$125,280k (2019: \$127,288k), 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 Drilling Offshore Services AS

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

Going concern assumption (continued)

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. Further details are provided in Note 12 to the financial statements.



KCA Deutag Drilling Offshore Services AS

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

Financial / market related risk

Principle 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 and Environment (HSE)

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

The financial statements

The turnover of \$30,318k (2019: \$42,261k) derived from the three contracts the Company holds.

In the current year, the Company made a profit after tax of \$1,470k (2019: loss of \$730k), and net cash outflow from operating activities of \$45k (2019: net inflow of \$259k).

The Company had satisfactory liquidity during the year. The liquidity reserves have decreased from \$354k at the end of 2018 to \$309k at the end of the year. Abbot Group Limited, a parent undertaking, has agreed to provide the Company with funds to meet obligations as required.

Annual result and year end appropriations

In 2020 the Company has a profit after taxes of \$1,470k (2019: loss of \$730k) which the Board proposes to be allocated as follows:

At 31 December 2020 the Company has no free equity.

\$16k is un-distributable being share capital.

Bergen, 10 June 2021

Ole Maier
Chairman

Alisdair Hogg
Board Member

Thorbjørn Anhøj
General Manager

Tom Einar Aasland
Board Member



KCA Deutag Drilling Offshore Services AS

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KCA Deutag Drilling Offshore Services AS

Profit & loss account for the year ended 31 December 2020

	Note	2020 US\$ 000's	2019 US\$ 000's
Operating income			
Sales revenue	3	30,318	42,261
Operating expenses			
Hire of personnel		(15,138)	(19,875)
Depreciation		-	-
Hire of equipment and other operating expenses		(11,939)	(16,712)
Total operating expenses		(27,077)	(36,587)
Operating profit		3,241	5,674
Other interest income		20	48
Other financial income		60	130
Other interest expense		(4,117)	(6,580)
Exceptional item - gain on refinancing and extinguishment of debt	5	2,268	-
Net finance items		(1,769)	(6,402)
Ordinary profit/(loss) before tax charge		1,472	(728)
Tax charge			
Tax charge on ordinary profit/(loss)	6	(2)	(2)
Profit/(loss) for the year		1,470	(730)
Applications:			
Transferred to other equity		1,470	(730)
Total applications		1,470	(730)

Statement of comprehensive income for the year ended 31 December 2020

	2020 US\$ 000's	2019 US\$ 000's
Profit/(loss) for the year	1,470	(730)
Total other comprehensive income for the year	-	-
Total comprehensive profit/(loss) for the year	1,470	(730)

**KCA Deutag Drilling Offshore Services AS****Balance Sheet as at 31 December 2020**

	Note	2020 US\$ 000's	2019 US\$ 000's
Current assets			
Trade receivables		3,745	9,152
Other receivables	7	19,265	9,506
Total receivables		23,010	18,658
Cash and cash equivalents		309	354
Total current assets		23,319	19,012
Total assets		23,319	19,012
Equity			
Paid in equity			
Share capital	8	16	16
Translation reserve	8	808	270
Total paid in equity		824	286
Earned equity			
Other equity	8	(126,104)	(127,574)
Total earned equity		(126,104)	(127,574)
Total equity		(125,280)	(127,288)
Liabilities			
Current liabilities			
Due to group companies	9	148,558	145,750
Trade payables		12	12
Other current liabilities	9	29	538
Total current liabilities		148,599	146,300
Total liabilities		148,599	146,300
Total equity and liabilities		23,319	19,012

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

Bergen, 10 June 2021

Ole Maier
Chairman

Alisdair Hogg
Board Member

Tom Einar Aasland
Board Member

Thorbjørn Anhøj
General Manager



KCA Deutag Drilling Offshore Services AS

Statement of cash flow for the year ended 31 December 2020

	Note	2020 US\$ 000's	2019 US\$ 000's
Profit/(loss) before taxes		1,472	(728)
Change in receivables		(4,352)	(3,301)
Change in payables		2,299	3,931
Tax paid	6	(2)	(2)
Net exchange differences from other operating activities		538	359
Net cash used in operations		(45)	259
Net change in cash and cash equivalents		(45)	259
Cash and cash equivalents at the beginning of the year		354	95
Cash and cash equivalents at the end of the year		309	354

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



KCA Deutag Drilling Offshore Services AS

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

Note 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.

1-1 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.

1-2 Use of estimates

The preparation of the financial statements is subject to the 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 Profit and loss account.

1-3 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.

1-4 Sales revenues

Sales revenues are mainly generated from drilling for the oil and gas industry. Revenue is recognised on the basis of day rates and actually accrued time. Income is recognised when it is probable that the transaction will generate future financial advantages that will be due to the Company and the size of the amount can be measured reliably. Income is reported exclusive of value added tax and after deduction of possible discounts. Income and expenses related to activities lasting past the turn of the year are accrued in accordance to number of days that the activity lasts prior to and after the closing of the annual financial statements. The total cost is reassessed currently. Rig mobilization income is recognized in the Profit and loss account over the life of the contract. For projects that are assumed to result in a loss the total estimated loss is recognised immediately.



KCA Deutag Drilling Offshore Services AS

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

Note 1 Accounting policies (continued)

1-5 Taxes

The financial statements are presented in the Company's functional currency US\$. From the period from 1 March 2011 the Company became tax resident in the United Kingdom and from that date is liable to UK tax.

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the Profit and loss account due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. Payable tax calculated in XAF and UK Sterling is translated to US\$ using the exchange rate of the balance sheet date.

The Company has not recognised potential deferred tax asset on the tax effects of deductible temporary differences and unused tax losses as their recovery in future years is uncertain.

1-6 Classification and valuation of balance sheet items

Current assets and current liabilities comprise items falling due within one year from the time of acquisition. 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.

1-7 Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet and depreciated over the asset's expected useful life. Deduction is made for salvage value when calculating the basis for depreciation. Direct maintenance of operating equipment is recognised currently as operating expense in the Profit and loss account, while upgrading or improvements are added to the asset's cost price and depreciated in line with the asset. Upgrading also comprises borrowing expenses that can be related to the assets. Other borrowing expenses are recognised in the Profit and loss account in the period in which they accrue. If recoverable amount of the asset should be lower than the carrying amount depreciation is made to recoverable amount. Recoverable amount is the higher of net sales value and utility value. Utility value is present value of the future cash flows that the asset is expected to generate.

1-8 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.



KCA Deutag Drilling Offshore Services AS

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

Note 1 Accounting policies (continued)

1-9 Shares

Shares, including shares in subsidiary and associated companies are valued according to the cost method in the company financial statements. 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.

1-10 Borrowings

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

1-11 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.

1-12 Cashflow 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.

1-13 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 Profit and loss account 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 Drilling Offshore Services AS

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

Note 2

Interest risk

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

Exchange risk

The Company's transactions are mainly in US\$ and GBP. In order to protect the Company's balance sheet from movements in exchange rates, wherever 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.

Note 3 Sales revenues

All turnover relates to income from drilling contracts. Further information is disclosed in the Directors' report.

Note 4 Wages, number of employees, remunerations, loans to employees and auditors' fees

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

\$20k (2019: \$14k) is recognised as auditors' fees.

Note 5 Exceptional items

	2020	2019
	US\$ 000's	US\$ 000's
Exceptional items after operating profit		
Exceptional gain on refinancing and extinguishment of debt	2,268	-
Net credit to Profit and Loss Account	2,268	-

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 \$2,268k has been reflected in the Profit and Loss Account which represents the extinguishment of bank interest payable.

**KCA Deutag Drilling Offshore Services AS****Notes to the financial statements for the year ended 31 December 2020 (continued)****Note 6 Tax charge on ordinary profit/(loss)**

The financial statements are presented in the Company's functional currency US\$. The Company is liable to pay taxes in the United Kingdom.

	2020	2019
	US\$ 000's	US\$ 000's
Tax charge for the year		
Overseas corporation tax	2	2
Tax expense	2	2

	2020	2019
	US\$ 000's	US\$ 000's
Calculation of tax charge for year		
Profit/(loss) on operations before taxes	1,472	(728)
Permanent differences	-	-
Temporary differences	-	-
	1,472	(728)
UK Group contribution at nil consideration	(1,472)	728
Taxable income (basis for payable tax in the balance sheet)	-	-
Tax rate	19.00%	19.00%
UK corporation tax payable	-	-
Double tax relief	-	-
Foreign corporation tax payable	2	2
Taxes payable	2	2

Tax receivable (payable) in the balance sheet

At 1 January	-	-
Payable tax charge for the year	(2)	(2)
Payments during the year	2	2
At 31 December	-	-

	2020	2019
	US\$ 000's	US\$ 000's
Calculation of deferred tax liability		
Property, plant and equipment	(125,193)	(125,193)
Unrelieved foreign tax	-	-
Other temporary differences	-	-
Deferred tax assets not recognised	125,193	125,193
Basis for deferred tax asset	-	-
Tax rate	19%	17%
Deferred tax liability	-	-



KCA Deutag Drilling Offshore Services AS

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

Note 6 Tax charge on ordinary (loss)/profit (continued)

The Company has not recognised potential deferred tax asset of \$23,794k (2019: \$21,283k) on the tax effects of deductible temporary differences as their recovery in future years is uncertain.

The Finance Act 2015 (No. 2) reduced the main rate of UK Corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020.

An additional change to the UK corporation tax rate was enacted on 15 September 2016 which reduced the main rate further to 17% from 1 April 2020.

Note 7 Other receivables

	2020 US\$ 000's	2019 US\$ 000's
Intercompany receivables	19,144	8,571
Prepayments	-	5
Other tax	121	930
	19,265	9,506

Included in the intercompany balance above is an amount of \$1,161k (2019: \$5,846k) which relates to the Group cash pooling arrangement.

Note 8 Equity

	Share Capital US\$ 000's	Other Equity US\$ 000's	CTA Reserves US\$ 000's	Total US\$ 000's
At 1 January 2020	16	(127,574)	270	(127,288)
Loss for the year	-	1,470	-	1,470
Exchange differences in foreign operations	-	-	538	538
At 31 December 2020	16	(126,104)	808	(125,280)

Share capital consists of 100 shares of total value 100,000 NOK.



KCA Deutag Drilling Offshore Services AS

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

Note 9 Other current liabilities

	2020	2019
	US\$ 000's	US\$ 000's
Intercompany payables	148,558	145,750
Other payables	29	538
	148,587	146,288

Included in the intercompany balance above is an amount of \$1,439k (2019: \$101,200k) which relates to the Company's overdraft balance within the Group's cash pooling arrangement.

Note 10 Related party transactions

	2020	2019
	US\$ 000's	US\$ 000's
Costs from other related parties	31	39
	31	39
Balances owed from other related parties	19,144	8,571
Balances owed to other related parties	(148,558)	(145,750)
	(129,414)	(137,179)

Note 11 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.

Note 12 Basis of preparation

The Company has net liabilities of \$125,280k (2019: \$127,288k), 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 Drilling Offshore Services AS

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

Note 12 Basis of preparation (continued)

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 Drilling Offshore Services AS

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

Note 13 Post Balance Sheet Events

There were no significant post balance sheet events.

Note 14 Ultimate parent undertaking

The Company is a wholly owned subsidiary of KCA DEUTAG Offshore AS. The Company's ultimate parent undertaking 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.