Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	918 357 688
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KCA DEUTAG DRILLING NORGE AS
Forretningsadresse:	Espehaugen 37 5258 BLOMSTERDALEN

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	30.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 16.08.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1,13,14	1 579 845 000	1 631 218 000
Sum inntekter		**1 579 845 000**	**1 631 218 000**
Kostnader			
Lønnskostnad	11	827 324 000	796 765 000
Avskrivning på varige driftsmidler	2	17 847 000	19 358 000
Avskrivning på leasede eiendeler	3	22 737 000	20 797 000
Annen driftskostnad	13,15	609 766 000	672 958 000
Sum kostnader		**1 477 674 000**	**1 509 878 000**
Driftsresultat		**102 171 000**	**121 340 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	13	2 850 000	0
Annen finansinntekt	6	897 000	955 000
Sum finansinntekter		**3 747 000**	**955 000**
Annen finanskostnad	6	10 751 000	11 339 000
Sum finanskostnader		**10 751 000**	**11 339 000**
Netto finans		**-7 004 000**	**-10 384 000**
Ordinært resultat før skattekostnad		**95 167 000**	**110 956 000**
Skattekostnad på ordinært resultat	10	20 965 000	24 414 000
Skattekostnad på utenlandsk resultat	10	12 000	
Ordinært resultat etter skattekostnad		**74 190 000**	**86 542 000**
Årsresultat		**74 190 000**	**86 542 000**
Overføringer og disponeringer			
Avgitt konsernbidrag	8	-73 279 000	-87 536 000
Overføringer til/fra annen egenkapital	8	911 000	-993 000
Sum overføringer og disponeringer		**74 190 000**	**86 543 000**

Resultatregnskap

Beløp i: NOK	Note	2021	2020

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	16 428 000	16 725 000
Balanseførte leieavtaler (leasing)	3	81 346 000	98 294 000
Sum immaterielle eiendeler		**97 774 000**	**115 019 000**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	2	42 255 000	59 395 000
Sum varige driftsmidler		**42 255 000**	**59 395 000**
Finansielle anleggsmidler			
Investering i datterselskap	4	2 273 000	2 273 000
Investeringer i aksjer og andeler		20 000	20 000
Andre finansielle anleggsmidler		30 000	
Sum finansielle anleggsmidler		**2 323 000**	**2 293 000**
Sum anleggsmidler		**142 352 000**	**176 707 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	5	229 033 000	231 174 000
Andre fordringer		33 212 000	35 657 000
Konsernfordringer	7	414 740 000	365 669 000
Sum fordringer		**676 985 000**	**632 500 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	12	3 669 000	5 384 000
Sum bankinnskudd, kontanter og lignende		**3 669 000**	**5 384 000**
Sum omløpsmidler		**680 654 000**	**637 884 000**
SUM EIENDELER		**823 006 000**	**814 591 000**

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	8	100 000 000	100 000 000
Overkurs	8	134 461 000	134 461 000
Annen innskutt egenkapital	8	15 200 000	15 200 000
Sum innskutt egenkapital		**249 661 000**	**249 661 000**
Opptjent egenkapital			
Annen egenkapital	8	28 048 000	27 137 000
Sum opptjent egenkapital		**28 048 000**	**27 137 000**
Sum egenkapital		**277 709 000**	**276 798 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Leasinggjeld	3	65 232 000	79 183 000
Sum annen langsiktig gjeld		**65 232 000**	**79 183 000**
Sum langsiktig gjeld		**65 232 000**	**79 183 000**
Kortsiktig gjeld			
Leverandørgjeld		47 662 000	39 734 000
Skyldige offentlige avgifter		63 686 000	58 540 000
Kortsiktig konserngjeld	7	157 945 000	161 421 000
Annen kortsiktig gjeld	16	185 494 000	173 472 000
Leasinggjeld	3	25 278 000	25 442 000
Sum kortsiktig gjeld		**480 065 000**	**458 609 000**
Sum gjeld		**545 297 000**	**537 792 000**
SUM EGENKAPITAL OG GJELD		**823 006 000**	**814 590 000**

Tax Administration Norway

Inquiries to	Your date	Our date
Torstein Kinden Helleland	22.04.2008	24.04.2008
Telephone	Your reference	Our reference
+47 22 07 81 39	Petter Pharo	2008/376426/SKDREFS/TKH/ 812.1

Ernst & Young
Postboks 6163
5892 Bergen

Application for a permission to make the annual report and statement i Norway in English language

Dear Mr Petter Pharo,

With reference to your letter of 22 April 2007and our phone call with respect to the above matter.

The application in question concerns the following companies:

1. KCA DEUTAG Modular Rigs AS (reg. no. 979 392 710)
2. KCA DEUTAG Drilling Norge AS (reg. no. 918 357 688)

The background for the application is that both of the mentioned companies are part of the Abbot Group. Abbot Group Limited, the head company of the Abbot Group, is listed on the London Stock Exchange (LSE). With reference to our decision dated 8 August 2007 regarding a similar request for five other subsidiaries of Abbot Group, which were granted by the Directorate of Taxes (your reference 2007/177957/RRRE/TKH/812.1), you apply for a similar permission for two further subsidiaries of the Abbot Group.

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.

Postal address	Visiting address	Telephone
P.O. Box 6300 Etterstad	Fredrik Selmers vei 4	800 80 000
0603 Oslo	Org. nr: 974761076	Telefax
skattedirektoratet@skatteetaten.no		22 07 71 08

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 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 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 two applying companies are a part of the Abbot Group and are 100 % owned by an English company. Abbot Group Limited, 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 two applying companies mentioned above may make the annual report and statement in English language.

Conclusion

The Directorate of Taxes gives KCA DEUTAG Modular Rigs AS and KCA DEUTAG Drilling Norge AS permission to make the annual report and annual statement in English language according to the Norwegian Accounting Act § 3-4 third paragraph.

Best regards

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Directorate of Taxes

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 Norge AS

Independent Auditor's Report

Opinion

We have audited the financial statements of KCA Deutag Drilling Norge AS, which comprise the balance sheet as at 31 December 2021, 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 principles.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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

Bergen, 30 June 2022
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Olsen, Marius Kaland	BANKID	2022-07-06 09:36

This document package contains:

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

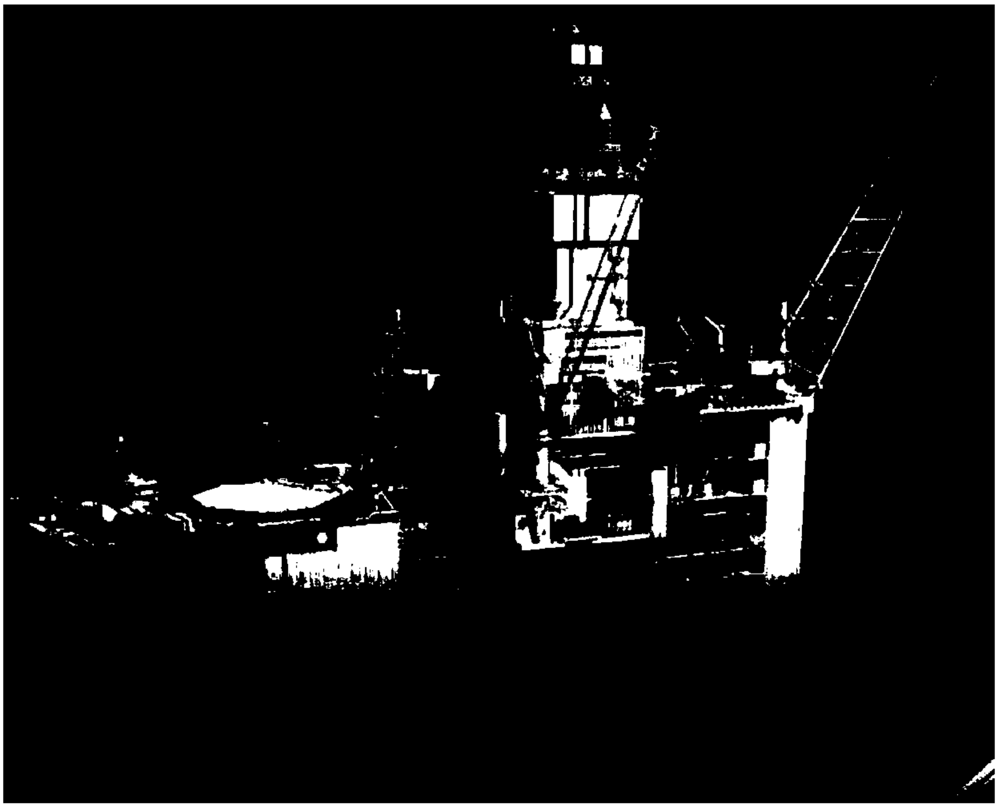
This file is sealed with a digital signature. The seal is a guarantee for the authenticity of the document.

KCA Deutag Drilling Norge AS

Audited annual report and financial statements for the year ended

31 December 2021

Registered Number Norway 918357688



Contents

Board of Directors and other officers

Board of directors

Ole Fredrik Maier (Chairman)
Alisdair Hogg
Dawn Penny
Tom Einar Aasland
Jan Inge Olsen (Employee Representative)
Bjarte Lygre (Employee Representative)
Helge Engevik (Employee Representative)

Auditors
PricewaterhouseCoopers AS
Sandviksbodene 2A
5035 Bergen
Norway

Business Address
Espehaugen 37
5258 Blomsterdalen
Norway

Directors' report for the year ended 31 December 2021

Nature of the business

KCA DEUTAG Drilling Norge AS is a service supplier to oil and gas principally operating on the Norwegian continental shelf. The main office is located at Espehaugen, Bergen. Since 2005 KCA DEUTAG Drilling Norge AS has been a 100% owned subsidiary of KCA DEUTAG Holdings Norge AS.

KCA Deutag Drilling Norge AS is organized in five (5) business streams; Fixed Platform Drilling Services, MODU Drilling Services, Sales & Rental Equipment, Well Services and the engineering division RDS (Rig Design Services).

The two main customers of the Company are Equinor and Vår Energi.

2021 has seen continued high activity in connection with the contracts to provide drilling services on fixed platforms on the Norwegian Continental Shelf. Three of four Oseberg platforms were in drilling operation throughout 2021, in addition to Kvitebjørn.

The Ringhorne platform has been in drilling operations during the year.

RDS carries out engineering, modification and upgrade assignments for operators and major oil and gas companies operating on the Norwegian continental shelf. The demand for engineering services has slightly increased during 2021.

Well Services comprises equipment rental and high competence/specialist personnel. This department hires out such equipment to operators and drilling contractors mainly on the Norwegian continental shelf.

Going concern assumption

In accordance with the Accounting Act § 3-3 it is confirmed that the going concern assumption is present and the financial statements are being presented accordingly.

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.

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.

The onset of the pandemic in 2020 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 (ref Note 7). 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.

Prospects

The long-term prospects for KCA Deutag Drilling Norge AS are positive as the contract backlog is secured with contracts with Equinor and Vår Energi AS.

KCA Deutag Drilling Norge AS has a market share based upon 6 out of 29 fixed drilling Platforms on the Norwegian continental shelf. One of the Company's objectives is to obtain additional platform contracts as they are renewed in the market so it can continue as a key player in the platform drilling contractor market in Norway, and actively seeking opportunities for management agreements for mobile offshore drilling units.

Throughout 2022 it is expected that there will be drilling operations on 3 Equinor fixed drilling platforms on the Oseberg field. Oseberg C will change to drilling operation and Oseberg East will change to a non-operational phase at the same time. Both Ringhorne and Kvitebjørn are expected to continue in drilling operation phase throughout the year.

The general market is considered to recover substantially from the situation in 2021. We do see market opportunities arising and expect activity especially within modifications (RDS) to be on the high side.

As in prior years, oil companies are continuing to focus on maintaining a high and predictable production level with further increased exploration, which generates a high demand for drilling services, and upgrade projects and maintenance projects. This is expected to have a positive impact on demand for services that KCA Deutag Drilling Norge AS offers. Several modifications and upgrade projects will be initiated by the oil companies in 2022 providing more engineering and modification opportunities in the short-term. As such, and also on a long-term perspective, KCA Deutag Drilling Norge AS, believe the engineering and modifications market will recover and increase going forward.

Our long-term strategy is to continue to be a leading platform drilling and engineering company on the Norwegian continental shelf and to increase activity within the company's RDS and Well Services divisions.

Working Environment and personnel

KCA DEUTAG Drilling Norge AS had an average of 676 employees in 2021 of which 541 were working offshore. Of the total number of offshore employees, 1.3% were women. The number of employees onshore was 135, of which 29% were women. The company had 2 part-time employees, held by one woman and one man. Employees working part time is by own choice.

During 2021 the company had an average of 1.9% employee turnover excluding retirement. 38 persons were recruited, none were women.

Average employee attendance in 2021 92.2%.

The working relationship between employees, trade unions, management and board of directors continues to be positive.

Diversity, Equality and Inclusion

A new committee of Diversity, Equality and Inclusion (DEI) was established in 2021. The DEI committee will be working for both KCA Deutag Drilling Norge AS and KCA Deutag Modu Operation, and have members from both companies. DEI has investigated the current situation, following the requirement of the law, and have made suggestions to the board on activities to ensure compliance following the Law on Gender Equality, Work Act and the Basic Agreement between LO and NHO.

The company will provide employees with equal opportunities regardless of race, sexual orientation, age, culture, nationality, faith, illness, disability, and gender. Women and men shall be given equal opportunities in education, employment, cultural and academic development.

Parental leave is for 36 weeks average for women, and 12 weeks average for men in 2021. It is not known to the committee that any employees did not got the leave they applied for.

There are 14 temporary employees, (5 trainees) of which one is female.

Health, Security and Environment (HSE)

The company's core values for health, safety, security, and environment stewardship are based on superior objectives to secure efficient and faultless operations. Among these objectives, given priority is prevention of sickness absence and there are methods and efforts applied which include employee's health risk assessments and monitoring, mapping of job satisfaction and working environmental factors, both in the organisation offshore and onshore.

The importance of interaction between people, technology, organisation, and environment has resulted in increased focus on dependence on personnel, technology, and organisation. As part of this, among other things, focused on coaching of leaders in the onshore and offshore organisation for training and development of accountability, responsibility, and active follow-up by noticeable leadership.

For some installations, improvements in design, functionality, and user-friendliness of technical equipment for drilling operations and belonging support systems have been carried out and verified in collaboration with the individual operating company. Great importance is attached to user involvement and experience from previous operations for this type of assignments.

In 2021 the sickness absence was 7.8%. Efforts are systematically made for improvements to reach the current objective of 5%. The importance of this, both for the individual employee and regarding a positive financial impact for the company and the society for the rest, is regarded as a high priority.

HSSE control systems are particularly directed towards methods and systems for proactive reporting of events and situations from operation, to verify accordance and adequacy for joint application of preferred registrations. This has been carried out and adapted without problems. The company has further developed its own-designed network gateway which, apart from attending to operational reporting and statistic registrations, also has been taken into use for distribution of HSSE messages and bulletins to all operations about undesired events, received from other organisations and manufacturers of critical drilling equipment and systems.

In 2021 the company had one injury resulting in absence and injury frequency of Total Recordable Injuries Rate (TRIR) 0.79, which is calculated on number of Lost Time Incidents (LTI), Restricted Workday Cases (RWC) and Medical Treatment Cases (MTC) absence injuries per two hundred thousand working hours. The company works actively, through several ongoing measures, to reach the company's "zero injury" goal.

Environmental reporting

During the year, there were four minor losses with minimal impact on the external environment. The company also focuses on the substitution of chemicals and have implemented monitoring programmes for health and environmental stewardship.

In accordance with the principles and objectives for focusing attention on the external environment, only environmentally sound oil is used in all our operations. The company is working continuously to explore further possibilities for improved operational routines to reach the superior objective of zero spills to the external environment. The company is reporting all registrations necessary for the company's environmental accounts monthly. DNV has carried out periodically audit according to the rules and regulations for certificate of accreditation for ISO 14001:2015.

The financial statements

The turnover of NOK 1,580m represents a reduction from 2020 to 2021 of NOK 51m. This is mainly due to less reimbursables in RDS and less full operating rate and reimbursables on OSS.

The company had satisfactory liquidity throughout the year. The liquidity reserves were reduced from NOK 5.4m at year end 2020 to NOK 3.7m at year end 2021. The liquidity ratio is 1.43 compared to last year's 1.39.

Cash inflow from operating activities was NOK 19.8m. Cash outflow from investing activities was NOK 0.7m and cash outflow from financing activities was NOK 20.8m.

Financial/market related risk

In 2022 the focus will be to continue to focus on a reliable and profitable operation and to secure new engineering and modification contracts in an improving market. Risk is also related to shift of idle phase on Platforms and the commercial implications of this (personnel utilization), together with utilization ratio for KCA Deutag owned Well Services equipment.

KCAD has secured a sustainable long-term Contract Backlog. The Drill Pipe Pool contract has been extended to November 29th, 2022 and will be tendered by Equinor accordingly. No other contracts expire in 2022.

The current contract portfolio includes operation for 5 platforms for Equinor and 1 platform for Vår Energi AS. Firm contract period with Equinor is until September 30th, 2024 following the exercising of the first optional period available to Equinor. Firm contract period with Vår Energi AS is until March 8th, 2024.

Cyber security risk

Cyber security risk was elevated in 2021 due to the increasing prevalence of cyber attacks around the world. However, as a result of the cyber attack we experienced at the end of 2021, cyber security has come to the forefront of our business and additional security measures have been implemented to enhance our environment to minimise the potential of such an attack happening again. We have engaged with third parties who have started on a project to strengthen our IT environment both from a security point of view as well as business recovery planning. Additional security software has been purchased and implemented and will continue to be a key focus for 2022.

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

Directors & Officers insurance

The Group has D&O insurance in place which covers the directors of all Norwegian companies.

Other circumstances

The board consists of three persons from KCA DEUTAG Group, three staff representatives and one staff who is part of the Norwegian Management team.

~~31 December 2021~~
30 June 2022

Alisdair Hogg Member of the board	Ole Fredrik Maier Chairman of the board	Tom Einar Aasland Member of the board
Jan Inge Olsen Member of the board	Bjarte Lygre Member of the board	Helge Engevik Member of the board
Dawn Penny Member of the board		Thorbjørn Anhøj Managing Director

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Independent auditors' report to the members of KCA DEUTAG Drilling Norge AS

Income Statement for the year ended 31 December 2021

For the period (NOK 1 000)	Note	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Revenue			
Sales revenue		1 579 845	1 631 218
Other revenue		0	0
Total revenue	1, 13, 14	***1 579 845***	***1 631 218***
Operating expenses			
Salary cost	11	(827 324)	(796 765)
Depreciation	2	(17 847)	(19 358)
Depreciation of leased assets	3	(22 737)	(20 797)
Other operating expenses	13, 15	(609 766)	(672 958)
Operating results before exceptional items		***102 171***	***121 339***
Financial income and expenses			
Interest income from group companies	13	2 850	0
Other financial income	6	897	955
Other financial expenses	6	(10 751)	(11 339)
Net financial income		***(7 004)***	***(10 383)***
Profit on operations before taxes		**95 167**	**110 956**
Income tax			
Tax on ordinary result (DTA)	10	(20 965)	(24 414)
Tax on foreign business	10	(12)	0
Taxes		***(20 977)***	***(24 414)***
Net profit for the year		**74 190**	**86 542**
Year-end appropriations			
Group contribution/distribution	8	93 948	112 225
Tax impact group contribution/distribution	8	(20 669)	(24 689)
Other equity	8	911	(993)
Total transfers		***74 190***	***86 542***

Statement of Comprehensive Income for the year ended 31 December 2021

For the period (NOK 1 000)	Note	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Net profit for the year		74 190	86 542
Total other comprehensive income for the year		0	0
Total comprehensive income for the year		**74 190**	**86 542**

Balance Sheet as at 31 December 2021

(NOK 1 000)	Note	2021	2020
Non-current assets			
Tangible and intangible assets			
Deferred tax asset	10	16 428	16 725
Right of use assets	3	81 346	98 294
Fixed assets	2	42 255	59 395
Total tangible and intangible assets		*140 030*	*174 414*
Financial assets			
Investment in subsidiary companies	4	2 273	2 273
Investment in shares		20	20
Other financial assets		30	0
Total financial assets		*2 323*	*2 293*
Total non-current assets		***142 353***	***176 707***
Current assets			
Debtors			
Trade receivables	5	229 033	231 174
Short-term receivables from group companies	7	414 740	365 669
Other short-term receivables		33 212	35 657
Total debtors		*676 985*	*632 500*
Cash and cash equivalents	12	3 669	5 384
Total current assets		***680 654***	***637 883***
Total assets		**823 006**	**814 590**

(NOK 1 000)	Note	2021	2020
Equity			
Paid-in capital			
Share capital	8	100 000	100 000
Share premium reserve	8	134 461	134 461
Other paid-in capital	8	15 200	15 200
Total paid-in capital		*249 661*	*249 661*
Retained earnings			
Other equity	8	28 048	27 137
Profit for the year, unallocated		0	0
Total retained earnings		*28 048*	*27 137*
Total equity		***277 709***	***276 799***
Liabilities			
Provisions			
Taxes payable	10	0	0
Total provisions		*0*	*0*
Non-current liabilities			
Right of use liabilities	3	65 232	79 183
Total non-current liabilities		*65 232*	*79 183*
Current liabilities			
Trade creditors		47 662	39 734
Public taxes		63 686	58 540
Short-term liabilities group companies	7	157 945	161 421
Other short-term liabilities	16	185 494	173 472
Right of use liabilities	3	25 278	25 442
Total current liabilities		*480 065*	*458 608*
Total liabilities		***545 297***	***537 791***
Total equity and liabilities		**823 006**	**814 590**

~~31 December 2021~~
30 June 2022

Alisdair Hogg
Member of the board

Ole Fredrik Maier
Chairman of the board

Tom Einar Aasland
Member of the board

Jan Inge Olsen
Member of the board

Bjarte Lygre
Member of the board

Helge Engevik
Member of the board

Dawn Penny
Member of the board

Thorbjørn Anhøj
Managing Director

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Cash flow statement for the year ended 31 December 2021

(NOK 1 000)	2021	2020
Cash flow from operating activities		
Profit on operations before taxes	95 167	110 956
Gain on disposal fixed assets	0	0
Liquidation South Korea branch	0	0
Depreciation	40 584	40 156
Net finance income / (costs)	(6 891)	(9 852)
Change trade receivables and other short-term receivables	(44 485)	28 232
Change in trade creditors and other short-term creditors	(72 492)	(10 338)
Change in other accruals (Group contributions, minor items)	7 877	(134 730)
Net cash inflow / (outflow) from operating activities	***19 760***	***24 425***
Cash flow from investing activities		
Purchase of plant and equipment	(707)	(5 147)
Sale of plant and equipment	0	0
Income from subsidiary termination	0	0
Net cash inflow / (outflow) from investing activities	***(707)***	***(5 147)***
Cash flow from financing activities		
Right of Use assets lease capital repayment	(20 655)	(17 865)
Interest paid	(116)	(362)
Interest received	3	893
Net cash inflow / (outflow) from financing activities	***(20 768)***	***(17 333)***
Net increase in cash and cash equivalents	(1 714)	1 944
Cash and cash equivalents at beginning of period	5 384	3 440
Cash and cash equivalents at end of period	3 669	5 384

Notes to the financial statements for the year ended 31 December 2021

1 Accounting Principles

General

The financial statements of KCA Deutag Drilling Norge AS (Company) for 2021 have been prepared according to IFRS and instructions on simplified use of IFRS (2006-12-22 no. 1582), implying that the company makes use of accounting policies in accordance with IFRS while notes have been prepared in accordance with chapter 7 of the Accounting Act.

Use of estimates

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with simplified IFRS.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Trade receivables

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

Revenue recognition

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

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

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

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

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

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

In RDS, the Company provides personnel on a time-cost basis to customers to work on engineering projects.

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

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

Engineering contracts

Where the outcome of a long-term engineering contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the Balance Sheet date dependent on the relevant provisions in the contract with the customer. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion or the contractual position prevents this treatment in accordance with IFRS 15. Revenue variations in contract work, claims and incentive payments are included to the extent that they have been agreed in writing by the customer. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised in full as an expense immediately.

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

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred taxes are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22% of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as fixed assets/long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognised at nominal value.

Leasing

The group implemented IFRS 16 in 2019, changing its accounting principles for leases where the group is the lessee. The principles and the impact of the change is described below.

IFRS 16 Leases results in almost all leases being recognised on the balance sheet be lessees, since the distinction between operating and finance leases is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard is effective for the Company from 1 January 2019. IFRS 16 must be applied retrospectively. However, an entity can choose whether to apply the standard retrospectively to each period presented or apply the simplified method, whereby the cumulative effect of applying the standard is recognised in equity at the date of initial application. In accordance with the transition provisions in IFRS 16, the Company decided to apply the simplified method.

An asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

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

The right-of-use asset is initially measured based on the calculated lease liability plus any indirect costs, payments at or prior to lease commencement, dilapidation provisions less any lease incentives. Subsequent measurement is at cost less depreciation and any provision for impairment. The right-of-use asset is also adjusted based on any re-measurement of the lease liability. The group has also chosen to take advantage of the exemptions as allowed in the standard for certain short term leases and leases of low value assets;

i) Short term leases

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

ii) Low-value assets

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

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

Research and development

Development costs are capitalised providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalised development costs are amortised linearly over its useful life. Research costs are expensed as incurred.

Investment in and return from investment in subsidiaries, associated companies

Investments in subsidiaries and associated companies are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. Group contributions to subsidiaries, with tax deducted, are reflected as increases in the purchase costs of the shares.

Dividends and group contributions are recognised in the same year as they are recognised in the subsidiary/associated company accounts. If dividends exceed retained earnings after acquisition, the exceeding amount is regarded as reimbursement of invested capital and the distribution will reduce the recorded value of the acquisition in the balance sheet.

Property, plant and equipment

Property, plant and equipment is capitalised and depreciated over the estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

Inventories

Inventories are recognised at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Accounts receivables and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. A provision for impairment of trade receivables is established when there is objective evidence the company will not be able to collect all amounts due.

Short term investments

Short-term investments (stocks and shares seen as current assets) are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognized as other financial income.

Pensions

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

2 Tangible Assets

(NOK 1 000)	Machinery and Equipment	Total tangible assets
Cost		
At 1 January 2021	497 708	497 708
Additions	707	707
Disposals	0	0
At 31 December 2021	**498 414**	**498 414**
Accumulated depreciation		
At 1 January 2021	438 312	438 312
Change in the year	17 847	17 847
Disposals	0	0
At 31 December 2021	**456 159**	**456 159**
Net carrying value		
At 31 December 2021	***42 255***	***42 255***
At 31 December 2020	59 395	59 395

The company uses linear depreciation for all tangible assets.
The useful economic lifetime for assets are estimated to be between 3 and 10 years.

3 Leased Assets

(NOK 1 000)	2021
Right of Use Assets	
Properties	79 696
Vehicles, Plant & Equipment	1 650
Total Right of Use Assets	***81 346***
Lease Liabilities	
Current	25 278
Non-current	65 232
Total Lease Liabilities	***90 510***
Depreciation of leased assets for the year	22 737

The statement of profit and loss includes the following amounts relating to leases:

Depreciation charge, Right of Use Assets	
Properties	22 529
Vehicles, Plant & Equipment	208
Total depreciation charge	***22 737***
Interest expenses, Right of Use Assets	
Expenses related to short-term leases	9 702
Expenses related to leases of low-value assets	74
Total interest expenses	***9 776***
The total cash out-flow for leases in 2021 was	30 431

4 Investments in subsidiaries and associates

(NOK 1 000) Company	Business address	Ownership share	Equity 31.12.2021	Result 2021	Book value 31.12.2021
KCA DEUTAG Drilling Services (UK) Ltd	Aberdeen, UK	100 %	2 293	0	2 273
KCA DEUTAG Modu Operations AS	Bergen	100 %	10 863	(5 451)	0

5 Trade receivables

(NOK 1 000)	2021	2020
Trade receivables		
Trade receivables at nominal value	171 515	199 538
Revenues not invoiced	57 517	31 635
Provisions for bad debts	0	0
Total trade receivables	***229 033***	***231 174***
Carrying values, projects		
Included in Trade receivables		
Completed, not invoiced production	57 517	31 635
Included in short-term liabilities		
Invoiced, deferred income	(48 853)	(56 200)

6 Financial income and expenses

(NOK 1 000)	2021	2020
Other financial income		
Other interest income	3	838
Other interest income, non-taxable	0	56
Exchange gain	894	1
Other financial income	1	61
Total other financial income	***897***	***955***
Other financial expenses		
Other interest expenses	110	359
Other interest expenses, non-tax-deductible	5	2
Interest expenses leasing	9 776	8 928
Exchange losses	860	2 049
Total other financial expenses	***10 751***	***11 339***

7 Intercompany balances with group companies

(NOK 1 000)	2021	2020	2019
Intercompany balances shown on a gross basis.			
Amounts owed from Group companies:			
Bank deposits, Group pool HSBC	214 740	365 593	323 539
Short term receivables	200 000	75	62
Total amounts owed from Group companies	***414 740***	***365 669***	***323 601***
Amounts due to subsidiaries/Group companies:			
Other short term payables	157 945	161 421	95 810
Total amounts due to subsidiaries/Group companies	***157 945***	***161 421***	***95 810***

The company is part of KCA DEUTAG Group's cash-pool with separate bank accounts in HSBC.
Funds in the pool facility are recognised as accounts receivables from Group companies.

8 Equity

(NOK 1 000)	Share capital	Share premium fund	Other paid in capital	Accumulated profits	Total
Equity 1 January 2021	100 000	134 461	15 200	27 137	276 799
Group contribution net of tax effect				(73 280)	(73 280)
Group contribution to subsidiary exempt of tax				0	0
Profit for the year				74 190	74 190
Equity 31 December 2020	***100 000***	***134 461***	***15 200***	***28 048***	***277 709***

The share capital is NOK 100m and consists of 20 000 000 each with a value of NOK 5. All shares have equal rights.

9 Pension

The company has implemented an occupational pension scheme, in accordance with Act of Occupational Pension Schemes. The company operated two unfunded benefit schemes relating to early retirement of employees between the ages of 62 and 67 and disability benefits to eligible employees. During 2010 legislative changes to early retirement plans in Norway were finalised. For two of the schemes in Norway, they are no longer required to hold a liability for future early retirement pensions.

10 Taxes

(NOK 1000)	2021	2020	2019
Tax charge for the year			
Payable tax	20 669	24 689	18 431
Change in deferred tax	296	(275)	2 305
Tax expense	***20 965***	***24 414***	***20 735***
Calculation of tax charge for the year			
Profit on operations before taxes	95 167	110 956	112 569
Permanent differences	127	17	(18 403)
Basis for this year's tax expense	*95 295*	*110 973*	*94 166*
Temporary differences	(1 347)	1 251	(7 867)
Basis for payable tax in the result accounting	*93 948*	*112 225*	*86 299*
Utilisation of taxable loss carried forward	0	0	(2 608)
Group contribution	(93 948)	(112 225)	(83 666)
Taxable income (basis for payable tax in the balance sheet)	***0***	***0***	***24***
Tax payable in the balance sheet			
Payable tax	20 669	24 689	18 431
Tax effect of group contribution	(20 669)	(24 689)	(18 407)
Taxes paid	***0***	***0***	***24***
Calculation of deferred tax asset			
Non-current assets	(16 462)	(13 527)	(12 437)
Other temporary differences	(58 213)	(62 495)	(62 333)
Taxable loss carried forward	0	0	0
Basis for deferred tax asset	*(74 675)*	*(76 021)*	*(74 770)*
Tax rate	22 %	22 %	22 %
Deferred tax asset	16 428	16 725	16 449
Deferred tax asset in the balance sheet	***16 428***	***16 725***	***16 449***

A deferred tax asset has been recognised in the financial statements on the basis that the company will continue to be profitable in the foreseeable future.

11 Salary and personnel costs, number of employees, loans to employees and Auditor's fee

(NOK 1 000)	2021	2020
Salary and personnel costs		
Salaries	656 828	641 122
Payroll tax	101 634	92 528
Pension costs	27 654	26 682
Other costs	41 208	36 434
Total salary and personnel costs	***827 324***	***796 765***

As at 31 December 2021 the company has 676 employees.
Less than full-time employees are converted to full-time.

(NOK 1 000)	Managing Director	Board of Directors
Management and Board remuneration		
Salary/remuneration	2 967	0
Pension costs	45	0
Total Management and Board remuneration	***3 012***	***0***

(NOK 1 000)	2021	2020
Auditor's fee		
Audit services	570	482
Other services non-audit related	17	84
Total auditor's fee	***587***	***566***

12 Restricted and other bank deposits

(NOK 1 000)	2021	2020
Other local bank deposits	3 669	5 384

The company has an unconditional guarantee in place, which acts as security for correct payment of withholding tax, in accordance with the Norwegian Act of Tax payments.

13 Related party transactions

(NOK 1 000)	Turnover	Purchase	Loan repayments	Net interest received
Subsidiary company	134 208	844	0	0
Group company	9 831	17 748	0	2 850

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.

14 Income by business area and geographical distribution

(NOK 1 000)	2021	2020
Income by business area		
Drilling	917 986	945 427
Engineering	208 480	230 497
Other	453 379	455 294
Total income by business area	***1 579 845***	***1 631 218***

(NOK 1 000)	2021	2020
Income by geographical distribution		
Norway/Norwegian continental shelf	1 569 935	1 627 413
Europe	8 354	2 797
Far East & Asia	1 556	419
North- & South America	0	589
Total income by geographical distribution	***1 579 845***	***1 631 218***

15 Specification other operating expenses

(NOK 1 000)	2021	2020
Other operating expenses		
3rd party services	25 791	26 752
Employee expenses (courses, insurance etc.)	18 980	17 848
Travel expenses	24 042	25 051
Intermediary goods and services	241 730	307 800
Drilling equipment and maintenance	257 199	247 244
Rental equipment	26 126	31 560
Other operating expenses	15 898	16 702
Total other operating expenses	***609 766***	***672 958***

16 Specification balance sheet

(NOK 1 000)	2021	2020
Other short-term liabilities		
Holiday pay and wages due	85 287	77 674
Provisions for deferred earnings	48 853	56 200
Other current liabilities	2 664	2 670
Other creditors	42 479	32 323
Provision for employees' part of performance bonus	6 211	4 605
Total other short-term liabilities	***185 494***	***173 472***

17 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of KCA Deutag Holdings Norge AS.

The Company's ultimate parent undertaking and ultimate controlling company is KCA Deutag International Limited, which is registered in Jersey. The shareholders of KCA Deutag International Limited are comprised of holders of the pre-restructuring secured debt which was partially swapped for equity in KCA Deutag International Limited as part of the restructuring transaction.

At 31 December 2021 the smallest and largest groups 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.

18 Basis of preparation

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.

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.

The onset of the pandemic in 2020 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 (ref Note 7).

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.

19 Post balance sheet events

No significant post balance sheet events.