



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 979 392 710
Organisasjonsform: Aksjeselskap
Foretaksnavn: KCA DEUTAG MODU OPERATIONS AS
Forretningsadresse: Espehaugen 37
5258 BLOMSTERDALEN

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: 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, 13.07.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1,11,1 3	1 047 517 000	908 279 000
Sum inntekter		1 047 517 000	908 279 000
Kostnader			
Lønnskostnad	8	513 139 000	484 188 000
Avskrivning leasede eiendeler	3	2 373 000	2 995 000
Annen driftskostnad	9,11	538 290 000	392 678 000
Sum kostnader		1 053 802 000	879 861 000
Driftsresultat		-6 285 000	28 418 000
Finanskostnader			
Finanskostnader	5	236 000	877 000
Annen finanskostnad	5	468 000	825 000
Sum finanskostnader		704 000	1 702 000
Netto finans		-704 000	-1 702 000
Ordinært resultat før skattekostnad		-6 989 000	26 716 000
Endring utsatt skatt	7	-4 240 000	-3 113 000
Betalbar skatt	7	2 703 000	8 997 000
Ordinært resultat etter skattekostnad		-5 452 000	20 832 000
Årsresultat		-5 452 000	20 832 000
Overføringer og disponeringer			
Avgitt konsernbidrag	10	-9 581 000	-31 899 000
Overføringer til/fra annen egenkapital	10	-15 033 000	-11 066 000
Sum overføringer og disponeringer		-5 452 000	20 833 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	12 418 000	8 177 000
Balanseførte leieavtaler (leasing)	3	419 000	2 586 000
Sum immaterielle eiendeler		12 837 000	10 763 000
Sum anleggsmidler		12 837 000	10 763 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	6	169 891 000	151 397 000
Andre fordringer		1 409 000	2 546 000
Konsernfordringer	4	65 280 000	48 264 000
Sum fordringer		236 580 000	202 207 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		7 884 000	18 871 000
Sum bankinnskudd, kontanter og lignende		7 884 000	18 871 000
Sum omløpsmidler		244 464 000	221 078 000
SUM EIENDELER		257 301 000	231 841 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	10	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	10	10 763 000	25 796 000



Balanse

Beløp i: NOK	Note	2021	2020
Sum opptjent egenkapital		10 763 000	25 796 000
Sum egenkapital		10 863 000	25 896 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Leasinggjeld	3	27 000	349 000
Sum annen langsiktig gjeld		27 000	349 000
Sum langsiktig gjeld		27 000	349 000
Kortsiktig gjeld			
Leverandørgjeld		40 146 000	21 170 000
Skyldige offentlige avgifter		45 018 000	32 911 000
Kortsiktig konserngjeld	4	22 045 000	49 017 000
Påløpt lønn		48 193 000	47 511 000
Annen kortsiktig gjeld		90 658 000	52 554 000
Leasinggjeld	3	351 000	2 435 000
Sum kortsiktig gjeld		246 411 000	205 598 000
Sum gjeld		246 438 000	205 947 000
SUM EGENKAPITAL OG GJELD		257 301 000	231 843 000



Tax Administration Norway

Inquiries to
Torstein Kinden Helleland

Your date
22.04.2008

Our date
24.04.2008

Telephone
+47 22 07 81 39

Your reference
Petter Pharo

Our reference
2008/376426/SKDREFS/TKH/
812.1

Ernst & Young
Postboks 6163
5892 Bergen

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

Dear Mr Petter Pharo,

With reference to your letter of 22 April 2007 and 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

P.O. Box 6300 Etterstad
0603 Oslo

skattedirektoratet@skatteetaten.no

Visiting address

Fredrik Selmers vei 4
Org. nr: 974761076

Telephone

800 80 000

Telefax

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 Modu Operations AS

Independent Auditor's Report

Opinion

We have audited the financial statements of KCA Deutag Modu Operations AS (the Company), 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



Independent Auditor's Report - KCA Deutag Modu Operations AS



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.

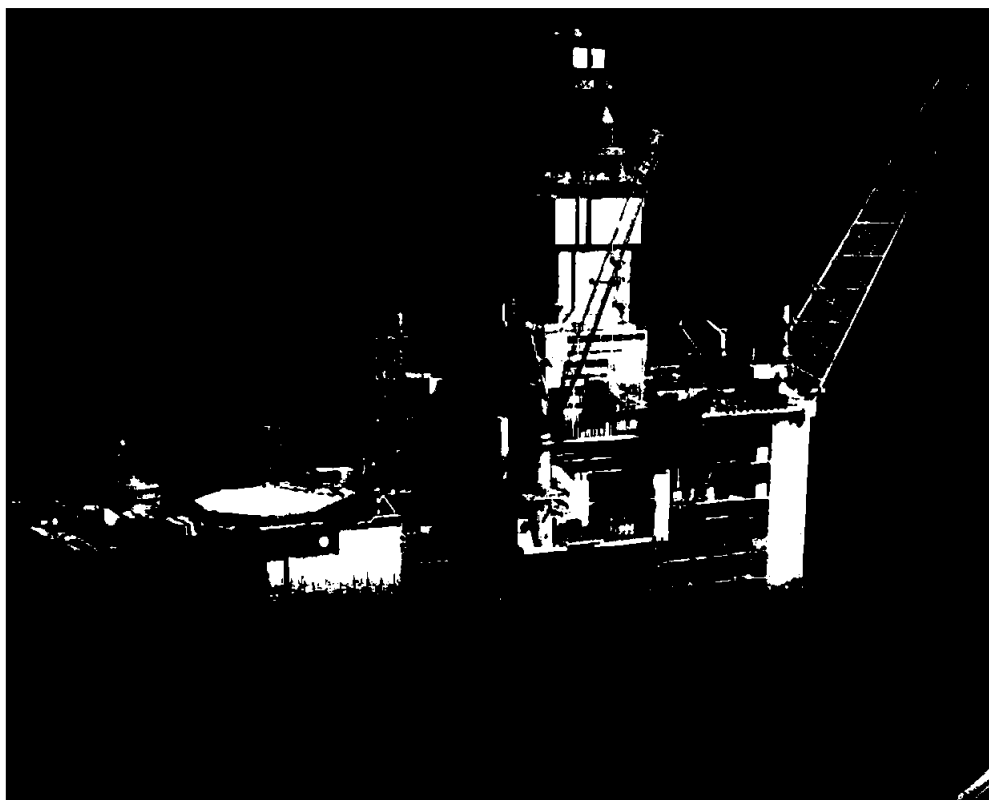


KCA^{DEUTAG} KCA Deutag MODU Operations AS

Audited annual report and financial statements for the year ended

31 December 2021

Registered Number Norway 979392710





Contents

Board of Directors and other officers	3
Directors' report for the year ended 31 December 2021	4
Independent auditors' report to the members of KCA DEUTAG Drilling Norge AS	9
Income Statement for the year ended 31 December 2021	10
Statement of Comprehensive Income for the year ended 31 December 2021	10
Balance Sheet as at 31 December 2021	11
Cash flow statement for the year ended 31 December 2021	13
Notes to the financial statements for the year ended 31 December 2021	14
1 Accounting Principles	14
2 Tangible Assets	17
3 Leased Assets	17
4 Intercompany balances with Group companies	17
5 Financial income and expenses	18
6 Trade receivables and construction contracts	18
7 Taxes	19
8 Salary and personnel costs, number of employees, loans to employees and auditor's fee	19
9 Specification other operating expenses	20
10 Share Capital and Equity	21
11 Related party transactions	21
12 Ultimate parent undertaking	21
13 Income by activity	22
14 Basis of preparation	22
15 Post balance sheet events	23



Board of Directors and other officers

Board of directors

O. F. Maier (Chairman)
A. Hogg
D. Penny
T. E. Aasland
K. Stange (Employee Representative)
R. Risholt (Employee Representative)
K. A. Enoksen (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 Modu Operations AS recorded full activity for the entire year. The company previously owned and rented its lightweight drilling rig "Rubicon" to companies operating in the Norwegian and UK continental shelves. The "Rubicon" was sold in October 2012.

KCA DEUTAG Modu Operations AS is responsible for the management and maintenance of the two (2) Cat J Jack-up Drilling Rigs constructed in South Korea. Equinor (formerly Statoil) awarded the contracts in 2013 and both units were mobilised from the shipyard in South-Korea in 2017, both with a period at an offshore base in Norway, completing some work and training of the crews. The duration of the contracts are 8 years plus 4x3 years options. These two (2) contracts add long-term business to the Contract backlog.

During 2021, both CAT J rigs were in operation, and the same is expected for 2022.

The company commenced trading on 1 January 2005 and the main office is located at Espehaugen in Bergen. The company is a wholly owned subsidiary of KCA DEUTAG Drilling Norge AS located at the same address.

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.

Working Environment and personnel

KCA DEUTAG Modu Operations AS had 362 employees by end 2021. Of the total number of employees, 2.5% were women. 14 persons were recruited in 2021, all of these were men. During 2021 the company had an average of 2.2% employee turnover excluding retirement.

Average employee attendance in 2021 was 94.9%.

The company is administratively subordinated to the routines of the parent company and there is an established Intercompany Agreement for this. Onshore staff functions, warehouse services and onshore management of the rigs are delivered by its parent company. This Agreement is based on transfer pricing principles.

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 have looked into 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.

There are no employees working part time in 2021.

Only men have had parental leave in 2021, and this has been for 12 weeks in average. It is not known to the committee that any employees did not get the leave they applied for.

There are 5 temporary employees, (4 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 employees' 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.

As new builds Askeladden and Askepott have invested in design and equipment functionality during the project phase in close collaboration with the operating company (owner) and responsible party for the Jack-up construction and delivery.

In 2021 the sickness absence was 5.1%. Improvements are systematically implemented to reach coming objectives in operation phase. The importance of this, both for the individual employee and with regards to 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. Operations in the North Sea required Acknowledgement of Compliance (AOC) from PSA for Askeladden and Askepott. During 2020 our management system has been further developed and audited to meet legislations from Petroleum Safety Authority (PSA), Norwegian Maritime Authority (NMA) and others to comply with requirement for MODU operations on the Norwegian Continental Shelf.

In 2021 the company, as undertaking principal in accordance with Working Environmental Act, had two injury resulting in absence and injury frequency of Total Recordable Injuries Rate (TRIR) 0.41, 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 have been no losses to the external environment. The company also focuses on the substitution of chemicals and has implemented monitoring programme for consumptions, health and environment issue.

In accordance with the principles and objectives for focusing attention on the external environment, only environmentally sound oil is used in all our operations. A clean rig design is in place to support our philosophy of no harm to the external environment. The company is working continuously to explore further possibilities for improved operational routines in order 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 on a monthly basis. MODU organisation has been assessed according to external environment from DNV against and ISO 14001:2015 according to the rules and regulations for certificate of accreditation.

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.

The financial statements

The turnover of NOK 1,048m (2020: NOK 908m) represents an increase from 2020 to 2021 of NOK 139m. This is due to increase in drilling related activities. The company had satisfactory liquidity throughout the year. The liquidity reserves have decreased from NOK 18.9m at year end 2020 to NOK 7.9m at year end 2021.

The company has a present liquidity ratio of 1.0 against last year's 1.1. Cash outflow from operating activities was NOK 8.3m and cash outflow from financing activities was 2.7m. There have been no investing activities in 2021.

Directors & Officers insurance

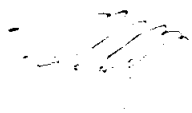
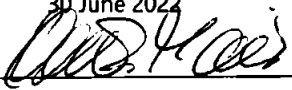
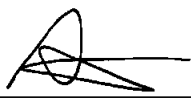


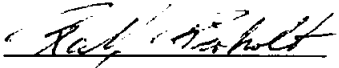


The Group has D&O insurance in place which covers the directors of all Norwegian companies.



Annual results and year end appropriations

The Board propose the following appropriation of the annual results:

Transferred from other equity 2021: NOK 15,032,963 (2020: NOK 11,066,111) transferred from other equity).

 _____ Thorbjørn Anhøj Managing Director	<u>31 December 2021</u> <u>30 June 2022</u>  _____ Ole Fredrik Maier Chairman of the board	 _____ Alisdair Hogg Member of the board
 _____ Dawn Penny	 _____ Tom Einar Aasland Member of the board	 _____ Ralf Risholt Member of the board
 _____ Kristian Stange Member of the board		 _____ Kristian A. Enoksen Member of the Board



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		1 047 517	908 279
Total revenue	1, 11, 13	1 047 517	908 279
Operating expenses			
Salary cost	8	(513 139)	(484 188)
Other operating expenses	9, 11	(538 290)	(392 678)
Depreciation of leased assets	3	(2 373)	(2 995)
Operating results before exceptional items		(6 285)	28 418
Financial income and expenses			
Financial expenses	5	(236)	(877)
Other financial expenses	5	(468)	(825)
Net financial income		(704)	(1 702)
Profit on operations before taxes		(6 989)	26 717
Income tax			
Tax on change in DTA	7	4 240	3 113
Tax on ordinary result	7	(2 703)	(8 997)
Taxes		1 537	(5 884)
Net profit for the year		(5 451)	20 833
Year-end appropriations			
Group contribution/distribution	10	12 284	40 896
Tax impact group contribution/distribution	10	(2 703)	(8 997)
Other equity	10	(15 033)	(11 066)
Total transfers		(5 451)	20 833

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		(5 451)	20 833
Total other comprehensive income for the year		0	0
Total comprehensive income for the year		(5 451)	20 833



Balance Sheet as at 31 December 2021

(NOK 1 000)	Note	2021	2020
Non-current assets			
<i>Tangible and intangible assets</i>			
Deferred tax asset	7	12 418	8 177
Right of use assets	3	419	2 586
<i>Total tangible and intangible assets</i>		<i>12 836</i>	<i>10 764</i>
Total non-current assets		12 836	10 764
Current assets			
<i>Debtors</i>			
Trade receivables	6	169 891	151 397
Short-term receivables from group companies	4	65 280	48 264
Other short-term receivables		1 409	2 546
<i>Total debtors</i>		<i>236 580</i>	<i>202 207</i>
Cash and cash equivalents		7 884	18 871
Total current assets		244 464	221 078
Total assets		257 301	231 842



(NOK 1 000)	Note	2021	2020
Equity			
<i>Paid-in capital</i>			
Share capital	10	100	100
<i>Total paid-in capital</i>		<i>100</i>	<i>100</i>
<i>Retained earnings</i>			
Other equity	10	10 763	25 796
<i>Total retained earnings</i>		<i>10 763</i>	<i>25 796</i>
Total equity		10 863	25 896
Liabilities			
<i>Provisions</i>			
Taxes payable	7	0	0
<i>Total provisions</i>		<i>0</i>	<i>0</i>
<i>Non-current liabilities</i>			
Right of use liabilities	3	27	349
<i>Total non-current liabilities</i>		<i>27</i>	<i>349</i>
<i>Current liabilities</i>			
Trade creditors		40 146	21 170
Accrued salary		48 193	47 511
Public taxes		45 018	32 911
Short-term liabilities group companies	4	22 045	49 017
Other short-term liabilities		90 658	52 554
Right of use liabilities	3	351	2 435
<i>Total current liabilities</i>		<i>246 411</i>	<i>205 597</i>
Total liabilities		246 438	205 946
Total equity and liabilities		257 301	231 842

31 December 2021

Thorbjørn Anhøj
Managing Director

30 June 2022

Ole Fredrik Maier
Chairman of the board

Alisdair Hogg
Member of the board

Dawn Penny
Member of the board

Tom Einar Aasland
Member of the board

Ralf Risholt
Member of the board

Kristian Stange
Member of the board

Kristian A. Enoksen
Member of the Board



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	(6 989)	26 717
Depreciation of leased assets	2 373	2 995
Net finance income / (costs)	(792)	(1 867)
Change trade receivables and other short-term receivables	(34 373)	(32 498)
Change in trade creditors and other short-term creditors	40 814	19 342
Change in other accruals (Group contributions, minor items)	(9 320)	(8 771)
Net cash inflow / (outflow) from operating activities	(8 287)	5 917
Cash flow from financing activities		
Right of Use assets lease capital repayment	(2 611)	(3 948)
Interest paid	(104)	(183)
Interest received	16	17
Net cash inflow / (outflow) from financing activities	(2 700)	(4 113)
Net increase in cash and cash equivalents	(10 986)	1 804
Cash and cash equivalents at beginning of period	18 871	17 067
Cash and cash equivalents at end of period	7 884	18 871



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

1 Accounting Principles

General

The financial statements of KCA DEUTAG Modu Operations 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.

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).

Accounts receivable 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.

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

The company has no tangible assets. Rigs are owned by the client and equipment used on board is either owned by its parent company KCA Deutag Drilling Norge AS or 3rd parties.

3 Leased Assets

(NOK 1 000)	2021
Right of Use Assets	
Properties	0
Vehicles, Plant & Equipment	419
Total Right of Use Assets	419
Lease Liabilities	
Current	351
Non-current	27
Total Lease Liabilities	378

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

Depreciation charge, Right of Use Assets	
Properties	0
Vehicles, Plant & Equipment	2 373
Total depreciation charge	2 373
Interest expenses, Right of Use Assets	
Expenses related to short-term leases	148
Expenses related to leases of low-value assets	0
Total interest expenses	148
The total cash out-flow for leases in 2021 was	2 759

4 Intercompany balances with Group companies

(NOK 1 000)	2021	2020
Amounts (due to) / due from group net undertakings:		
Short term receivables	65 280	48 264
Short term payables	(22 045)	(49 017)
Total amounts (due to) / due from Group net undertakings	43 235	(753)



5 Financial income and expenses

(NOK 1 000)	2021	2020
Financial (expenses)/income		
Interest (expense)/income	(236)	(877)
Exchange (losses)/gains	(468)	(825)
Total financial (expenses)/income	(704)	(1 702)

6 Trade receivables and construction contracts

(NOK 1 000)	2021	2020
Trade receivables		
Trade receivables at nominal value	162 761	107 304
Revenues not invoiced	7 130	44 093
Provisions for bad debts	0	0
Total trade receivables	169 891	151 397



7 Taxes

(NOK 1000)	2021	2020
Tax charge for the year		
Payable tax	2 703	8 997
Change in deferred tax	(4 240)	(3 113)
Tax expense	(1 537)	5 884
Calculation of tax charge for the year		
Profit on operations before taxes	(6 989)	26 717
Permanent differences	0	28
<i>Basis for this year's tax expense</i>	<i>(6 989)</i>	<i>26 745</i>
Temporary differences	19 273	14 151
<i>Basis for payable tax in the result accounting</i>	<i>12 284</i>	<i>40 896</i>
Utilisation of taxable loss carried forward	0	0
Group contribution	(12 284)	(40 896)
Taxable income (basis for payable tax in the balance sheet)	0	(0)
Tax payable in the balance sheet		
Payable tax	2 703	8 997
Tax effect of group contribution	(2 703)	(8 997)
Taxes paid	0	0
Calculation of deferred tax asset		
Non-current assets	(2 452)	(3 066)
Other temporary differences	(53 990)	(34 104)
Taxable loss carried forward	0	0
<i>Basis for deferred tax asset</i>	<i>(56 442)</i>	<i>(37 170)</i>
Tax rate	22 %	22 %
Deferred tax asset	12 418	8 177
Deferred tax asset in the balance sheet	12 418	8 177

8 Salary and personnel costs, number of employees, loans to employees and auditor's fee

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.



(NOK 1 000)	2021	2020
Salary and personnel costs		
Salaries	367 842	362 860
Payroll tax	62 740	54 207
Pension costs	52 536	39 216
Other costs	30 020	27 905
Total salary and personnel costs	513 139	484 188

As at 31 December 2021 the company has 361 employees. No employees have been given loans or guarantees

Managing Director is compensated through the Company's parent company KCA Deutag Drilling Norge AS. No loans nor guarantees have been given to Managing Director, members of the Board or their related parties. No loans nor guarantees amount to more than 5% of the Company's share capital.

(NOK 1 000)	2021	2020
Auditor's fee		
Audit services	185	208
Other services non-audit related	56	28
Total auditor's fee	241	236

9 Specification other operating expenses

(NOK 1 000)	2021	2020
Other operating expenses		
3rd party services	222 538	153 393
Travel expenses	12 756	14 626
Intermediary goods and services	104 696	69 481
Drilling equipment and maintenance	175 418	137 151
Other operating expenses	22 882	18 026
Total other operating expenses	538 290	392 678

There are two relevant Intercompany Agreements for the Company.

There is one Intercompany Franchise Agreement the Company is the Licensee while KCA Deutag Drilling Ltd is the Licensor. The Company pays a franchise fee for use of and access to Licensed Intellectual Property. The fee is based on the revenue generated by the Company and is paid on quarterly basis.

Further, there is a Service Agreement, the Company's parent company is the contractor. The contractor shall provide management, management systems, administrative support, facilities, personnel, materials and equipment as are necessary to properly perform and carry out the services. The Company shall utilise centralised staff resources in the following functions Human Resources, Finance, Purchasing, Warehouse Services, Management, IT and Administration according to the Service Agreement. The fees for the service agreement are paid on a monthly basis for rigs in operation.

The fee for the Service Agreement is based on transfer pricing principles.



10 Share Capital and Equity

The share capital is NOK 100 000 and consists of 100 shares of NOK 1 000 each. All shares have equal rights.

Shareholder	Number of Shares	Ownership Interest	Voting rights
KCA DEUTAG Drilling Norge AS	100	100 %	100 %

(NOK 1 000)	Share capital	Other equity	Total
Equity 1 January 2021	100	25 796	25 896
Right of Use leasing adjustment to equity		0	0
Group contribution net of tax effect		(9 582)	(9 582)
Group contribution from parent company exempt of tax		0	0
Profit for the year		(5 451)	(5 451)
Equity 31 December 2021	100	10 763	10 863

11 Related party transactions

(NOK 1 000)	Turnover	Purchase	Franchise cost	Net interest received
Parent company	844	134 208	0	0
Group company	0	0	33 082	0

12 Ultimate parent undertaking

The company is a wholly owned subsidiary of KCA Deutag Drilling 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.



13 Income by activity

(NOK 1 000)	2021	2020
Income by activity		
Drilling related	877 259	803 492
Reimbursible	169 896	103 705
Other	362	1 082
Total income by activity	1 047 517	908 279

14 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.

15 Post balance sheet events

No significant post balance sheet events.