



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

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: 10.06.2021

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 26.08.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1,11,1 3	908 279 000	838 281 000
Sum inntekter		908 279 000	838 281 000
Kostnader			
Lønnskostnad	8	484 188 000	457 330 000
Avskrivning leasede eiendeler	3	2 995 000	2 446 000
Annen driftskostnad	9,11	392 678 000	352 070 000
Sum kostnader		879 861 000	811 846 000
Driftsresultat		28 418 000	26 435 000
Finanskostnader			
Finanskostnader	5	877 000	376 000
Annen finanskostnad	5	825 000	651 000
Sum finanskostnader		1 702 000	1 027 000
Netto finans		-1 702 000	-1 027 000
Ordinært resultat før skattekostnad		26 716 000	25 408 000
Endring utsatt skatt	7	-3 113 000	-4 010 000
Betalbar skatt	7	8 997 000	9 591 000
Ordinært resultat etter skattekostnad		20 832 000	19 827 000
Årsresultat		20 832 000	19 827 000
Overføringer og disponeringer			
Avgitt konsernbidrag	10	-31 899 000	-34 007 000
Overføringer til/fra annen egenkapital	10	-11 066 000	-14 181 000
Sum overføringer og disponeringer		20 833 000	19 826 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	8 177 000	5 064 000
Leasing eiendel	3	2 586 000	1 782 000
Sum immaterielle eiendeler		10 763 000	6 846 000
Sum anleggsmidler		10 763 000	6 846 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	6	151 397 000	154 321 000
Andre fordringer		2 546 000	3 377 000
Konsernfordringer	4	48 264 000	12 011 000
Sum fordringer		202 207 000	169 709 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		18 871 000	17 067 000
Sum bankinnskudd, kontanter og lignende		18 871 000	17 067 000
Sum omløpsmidler		221 078 000	186 776 000
SUM EIENDELER		231 841 000	193 622 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	10	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	10	25 796 000	6 899 000



Balanse

Beløp i: NOK	Note	2020	2019
Sum opptjent egenkapital		25 796 000	6 899 000
Sum egenkapital		25 896 000	6 999 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Leasing gjeld	3	349 000	368 000
Sum annen langsiktig gjeld		349 000	368 000
Sum langsiktig gjeld		349 000	368 000
Kortsiktig gjeld			
Leverandørgjeld		21 170 000	35 135 000
Skyldige offentlige avgifter		32 911 000	30 646 000
Kortsiktig konserngjeld	4	49 017 000	50 938 000
Påløpte kostnader		47 511 000	45 782 000
Annen kortsiktig gjeld		52 554 000	23 001 000
Leasing gjeld	3	2 435 000	754 000
Sum kortsiktig gjeld		205 598 000	186 256 000
Sum gjeld		205 947 000	186 624 000
SUM EGENKAPITAL OG GJELD		231 843 000	193 623 000



To the General Meeting of KCA Deutag Modu Operations AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and
authorised accounting firm*



Independent Auditor's Report - KCA Deutag Modu Operations AS



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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

(2)



Independent Auditor's Report - KCA Deutag Modu Operations AS



Bergen, 10 June 2021
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)



 Securely signed with Brevio

Auditor's report

Signers:

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

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



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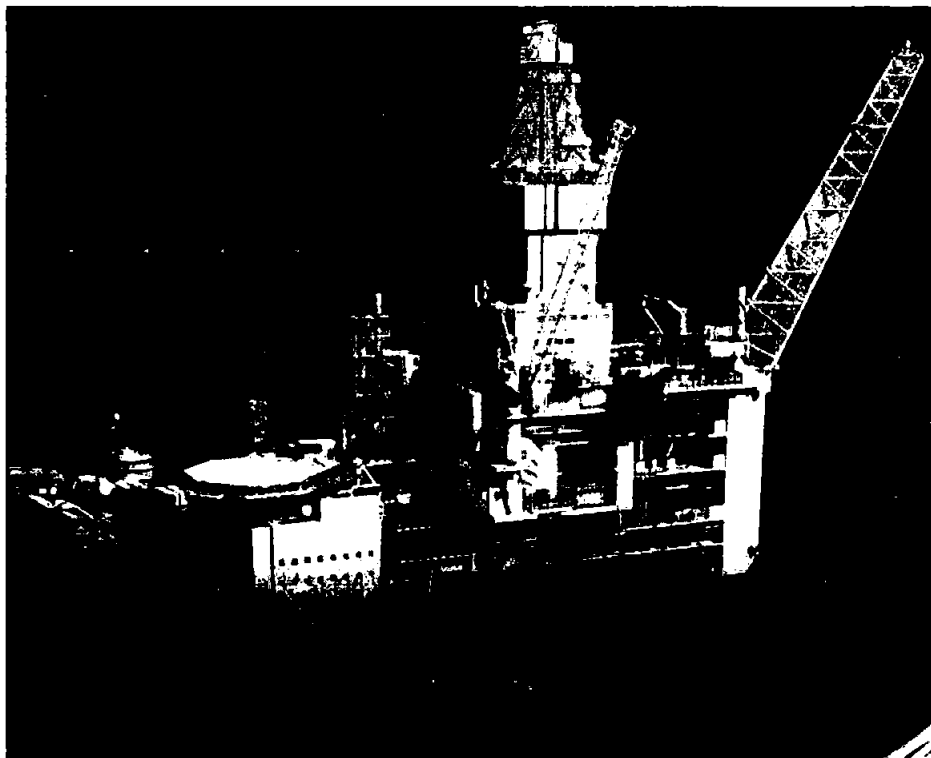


KCA DEUTAG KCA Deutag MODU Operations AS

Audited annual report and financial statements for the year ended

31 December 2020

Registered Number Norway 979392710





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Board of Directors and other officers

Board of directors

R. Lorentzen (Chairman, resigned 17.06.20)
O. F. Maier (Chairman, appointed 17.06.20)
L. Clow (resigned 05.02.20)
G. N. Paver (resigned 05.02.20)
A. Hogg
D. Penny (appointed 05.02.20)
B. Tresselt (appointed 05.02.20, resigned 06.07.20)
T. E. Aasland (appointed 14.07.20)
E. Fischer (Employee Representative, resigned 29.04.20)
K. Stange (Employee Representative)
J. Hallaråker (Employee Representative, resigned 29.04.20)
R. Risholt (Employee Representative, appointed 29.04.20)
K. A. Enoksen (Employee Representative, appointed 29.04.20)

Auditors

PricewaterhouseCoopers AS
Sandviksbodene 2A
5035 Bergen
Norway

Business Address

Espehaugen 37
5258 Blomsterdalen
Norway



Directors' report for the year ended 31 December 2020

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 2020, both CAT J rigs were in operation, and the same is expected for 2021.

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 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 361 employees by end 2020. Of the total number of employees, 2.5% were women. The company had no part-time jobs and 14 persons were recruited in 2020. During 2020 the company had an average of 3% employee turnover excluding retirement. Average employee attendance in 2020 was 95.5%.

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.

Gender equality and discrimination

The committee of equal opportunities was changed in 2012 and the committee is now of an advisory capacity.

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

The agreement has a background in the current Law on Gender Equality, Work Act and the Basic Agreement between LO and NHO.



Health, Security and Environment (HSE)

The company's core values for health, safety, security and environment stewardship are based on superior objectives in order 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 2020 the sickness absence was 4.5%. Improvements are systematically implemented in order 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. The company has introduced a new healthcare insurance programme for all employees, and health-care initiatives are addressed.

HSSE control systems are particularly directed towards methods and systems for proactive reporting of events and situations from operation, in order 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 in order to comply with requirement for MODU operations on the Norwegian Continental Shelf.

In 2020 the company, as undertaking principal in accordance with Working Environmental Act, had one injury resulting in absence and injury frequency of Total Recordable Injuries Rate (TRIR) 0.43, 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 five minor 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-GL against and ISO 14001:2015 according to the rules and regulations for certificate of accreditation.

The financial statements

The turnover of NOK 908m (2019: NOK 838m) represents an increase from 2019 to 2020 of NOK 70m. This is due to increase in drilling related activities.

The company had satisfactory liquidity throughout the year, where also the liquidity reserves have increased from NOK 17.1m at year end 2019 to NOK 18.9m at year end 2020.

The company has a present liquidity ratio of 1.08 against last year's 1.0.

Cash inflow from operating activities was NOK 5.9m and cash outflow from financing activities was 4.1m. There have been no investing activities in 2020.

Annual results and year end appropriations

The Board propose the following appropriation of the annual results:

Transferred from other equity 2020: NOK 11,066,111 (2019: NOK 14,181,000 transferred from other equity).

31 December 2020

10 June 2021

Thorbjørn Anhøj
Managing Director

Dawn Peñny
Member of the board

Kristian Stange
Member of the board

Ole Fredrik Maier
Chairman of the board

Tom Einar Aasland
Member of the board

Alisdair Hogg
Member of the board

Ralf Risholt
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 2020

For the period (NOK 1 000)	Note	Jan 1 - Dec 31 2020	Jan 1 - Dec 31 2019
Revenue			
Sales revenue	1, 11, 13	908 279	838 281
Total revenue		908 279	838 281
Operating expenses			
Salary cost	8	(484 188)	(457 330)
Other operating expenses	9, 11	(392 678)	(352 070)
Depreciation of leased assets	3	(2 995)	(2 446)
Operating results before exceptional items		28 418	26 435
Financial income and expenses			
Financial expenses	5	(877)	(376)
Other financial expenses	5	(825)	(651)
Net financial income		(1 702)	(1 027)
Profit on operations before taxes		26 717	25 408
Income tax			
Tax on change in DTA	7	3 113	4 010
Tax on ordinary result	7	(8 997)	(9 591)
Taxes		(5 884)	(5 581)
Net profit for the year		20 833	19 826
Year-end appropriations			
Group contribution/distribution	10	40 896	43 599
Tax impact group contribution/distribution	10	(8 997)	(9 592)
Other equity	10	(11 066)	(14 181)
Total transfers		20 833	19 826

Statement of Comprehensive Income for the year ended 31 December 2020

For the period (NOK 1 000)	Note	Jan 1 - Dec 31 2020	Jan 1 - Dec 31 2019
Net profit for the year		20 833	19 826
Total other comprehensive income for the year		0	0
Total comprehensive income for the year		20 833	19 826



Balance Sheet as at 31 December 2021

(NOK 1 000)	Note	2020	2019
Non-current assets			
<i>Tangible and intangible assets</i>			
Deferred tax asset	7	8 177	5 064
Right of use assets	3	2 586	1 782
<i>Total tangible and intangible assets</i>		10 764	6 846
Total non-current assets		10 764	6 846
Current assets			
<i>Debtors</i>			
Trade receivables	6	151 397	154 321
Short-term receivables from group companies	4	48 264	12 011
Other short-term receivables		2 546	3 377
<i>Total debtors</i>		202 207	169 710
Cash and cash equivalents		18 871	17 067
Total current assets		221 078	186 776
Total assets		231 842	193 622



(NOK 1 000)	Note	2020	2019
Equity			
<i>Paid-in capital</i>			
Share capital	10	100	100
Total paid-in capital		100	100
<i>Retained earnings</i>			
Other equity	10	25 796	6 899
Total retained earnings		25 796	6 899
Total equity		25 896	6 999
Liabilities			
<i>Provisions</i>			
Taxes payable	7	0	0
Total provisions		0	0
<i>Non-current liabilities</i>			
Right of use liabilities	3	349	368
Total non-current liabilities		349	368
<i>Current liabilities</i>			
Trade creditors		21 170	35 135
Accrued salary		47 511	45 782
Public taxes		32 911	30 646
Short-term liabilities group companies	4	49 017	50 938
Other short-term liabilities		52 554	23 001
Right of use liabilities	3	2 435	754
Total current liabilities		205 597	186 255
Total liabilities		205 946	186 623
Total equity and liabilities		231 842	193 622

31 December 2020

10 June 2021

Thorbjørn Anhøj
Managing Director

Dawn Penny
Member of the board

Kristian Stange
Member of the board

Ole Fredrik Maier
Chairman of the board

Tom Einar Aasland
Member of the board

Alisdair Hogg
Member of the board

Ralf Risholt
Member of the board

Kristian A. Enoksen
Member of the Board



Cash flow statement for the year ended 31 December 2020

(NOK 1 000)	2020	2019
Cash flow from operating activities		
Profit on operations before taxes	26 717	25 408
Depreciation of leased assets	2 995	0
Net finance income / (costs)	(1 867)	376
Change trade receivables and other short-term receivables	(32 498)	20 110
Change in trade creditors and other short-term creditors	19 342	(43 741)
Change in other accruals (Group contributions, minor items)	(8 771)	0
Net cash inflow / (outflow) from operating activities	5 917	2 153
Cash flow from financing activities		
Right of Use assets lease capital repayment	(3 948)	0
Interest paid	(183)	(396)
Interest received	17	20
Net cash inflow / (outflow) from financing activities	(4 113)	(376)
Net increase in cash and cash equivalents	1 804	1 777
Cash and cash equivalents at beginning of period	17 067	15 289
Cash and cash equivalents at end of period	18 871	17 066



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

1 Accounting Principles

General

The financial statements of KCA DEUTAG Modu Operations AS (Company) for 2020 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 by 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)	2020
Right of Use Assets	
Properties	0
Vehicles, Plant & Equipment	2 586
Total Right of Use Assets	2 586
Lease Liabilities	
Current	2 435
Non-current	349
Total Lease Liabilities	2 784

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

Depreciation charge, Right of Use Assets	
Properties	0
Vehicles, Plant & Equipment	2 995
Total depreciation charge	2 995
Interest expenses, Right of Use Assets	
Expenses related to short-term leases	711
Expenses related to leases of low-value assets	0
Total interest expenses	711
The total cash out-flow for leases in 2020 was	4 659

4 Intercompany balances with Group companies

(NOK 1 000)	2020	2019
Amounts (due to) / due from group net undertakings:		
Short term receivables	48 264	12 011
Short term payables	(49 017)	(50 938)
Total amounts (due to) / due from Group net undertakings	(753)	(38 927)



5 Financial income and expenses

(NOK 1 000)	2020	2019
Financial (expenses)/income		
Interest (expense)/income	(877)	(376)
Exchange (losses)/gains	(825)	(651)
Total financial (expenses)/income	(1 702)	(1 027)

6 Trade receivables and construction contracts

(NOK 1 000)	2020	2019
Trade receivables		
Trade receivables at nominal value	107 304	105 774
Revenues not invoiced	44 093	48 547
Provisions for bad debts	0	0
Total trade receivables	151 397	154 321

**7 Taxes**

(NOK 1000)	2020	2019
Tax charge for the year		
Payable tax	8 997	9 592
Change in deferred tax	(3 113)	(4 010)
Tax expense	5 884	5 582
Calculation of tax charge for the year		
Profit on operations before taxes	26 717	25 408
Permanent differences	28	(38)
<i>Basis for this year's tax expense</i>	<i>26 745</i>	<i>25 370</i>
Temporary differences	14 151	18 229
<i>Basis for payable tax in the result accounting</i>	<i>40 896</i>	<i>43 599</i>
Utilisation of taxable loss carried forward	0	0
Group contribution	(40 896)	(43 599)
Taxable income (basis for payable tax in the balance sheet)	(0)	(0)
Tax payable in the balance sheet		
Payable tax	8 997	9 592
Tax effect of group contribution	(8 997)	(9 592)
Taxes paid	0	0
Calculation of deferred tax asset		
Non-current assets	(3 066)	0
Other temporary differences	(34 104)	(23 019)
Taxable loss carried forward	0	0
<i>Basis for deferred tax asset</i>	<i>(37 170)</i>	<i>(23 019)</i>
Tax rate	22 %	22 %
Deferred tax asset	8 177	5 064
Deferred tax asset in the balance sheet	8 177	5 064

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)	2020	2019
Salary and personnel costs		
Salaries	362 860	338 898
Payroll tax	54 207	56 249
Pension costs	39 216	35 131
Other costs	27 905	27 051
Total salary and personnel costs	484 188	457 330

As at 31 December 2020 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)	2020	2019
Auditor's fee		
Audit services	208	210
Other services non-audit related	28	0
Total auditor's fee	236	210

9 Specification other operating expenses

(NOK 1 000)	2020	2019
Other operating expenses		
3rd party services	153 393	148 557
Travel expenses	14 626	14 137
Intermediary goods and services	69 481	69 770
Drilling equipment and maintenance	137 151	96 224
Other operating expenses	18 026	23 382
Total other operating expenses	392 678	352 070

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 2020	100	6 899	6 999
Right of Use leasing adjustment to equity		(37)	(37)
Group contribution net of tax effect		(31 899)	(31 899)
Group contribution from parent company exempt of tax		30 000	30 000
Profit for the year		20 833	20 833
Equity 31 December 2020	100	25 796	25 896

11 Related party transactions

(NOK 1 000)	Turnover	Purchase	Franchise cost	Net interest received
Parent company	297	80 259	0	0
Group company	0	0	32 091	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 2020 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)	2020	2019
Income by activity		
Drilling related	803 492	737 471
Reimbursible	103 705	100 349
Other	1 082	461
Total income by activity	908 279	838 281

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 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.



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.



Skattedirektoratet

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

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

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

Dear Mr Petter Pharo,

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

The application in question concerns the following companies:

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

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

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

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

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

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

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taxable in other jurisdictions due to inter alia international rig operations. It follows that the accounts for these companies will have to be presented in different jurisdictions.

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

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

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

Permission to keep accounts in Norway in English language

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

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

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

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

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



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

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

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

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

Conclusion

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

Yours sincerely,

Nina Hognes
underdirektør
Seksjon for revisjon
Retts- og revisjonsavdelingen

Torstein Kinden Helleland