

**To the board of directors of Northern Drilling Ltd.  
Par-la-Ville Place  
14 Par-la-Ville Road  
Hamilton HM 08  
Bermuda**

Oslo, 22 March 2022

## **Northern Drilling Ltd – independent statement with respect to the mandatory offer made by Hemen Holding**

### **1. BACKGROUND**

SpareBank 1 Markets AS ("**SB1M**") has been engaged by Northern Drilling Ltd ("**NODL**" or the "**Company**") to provide an independent assessment of the mandatory offer (the "**Offer**") from Hemen Holding ("**Hemen**" or the "**Offeror**") to acquire all shares in NODL outstanding at the time of the Offer, following the transaction where Hemen acquired 9,300 shares in NODL to reach a 40.1% ownership share and thereby crossing the 40% mandatory offer threshold (the "**Transaction**").

The Offer is a mandatory offer under the rules of chapter 6 of the Norwegian Securities Trading Act (the "**NSTA**"). As a consequence, the board of directors of NODL is obligated to issue a statement on the Offer, pursuant to section 6-16 of the NSTA. As the Offer is made following and as a result of the Transaction, Oslo Børs has in its capacity as takeover authority, and pursuant to the NSTA section 6-16 (4) and in accordance with past practice, determined that the statement related to the Offer shall be made by an independent third party.

On this basis, SB1M has been engaged by NODL to provide this independent statement on the Offer on behalf of the Company in accordance with section 6-16 of the NSTA.

The statement is based on an evaluation of, and we have relied on (without independent verification), publicly available information as well as discussions with NODL's management and representatives. SB1M has not reviewed any non-public information related to the Company, performed any legal, financial, technical or other due diligence of the Company or evaluated any tax, accounting or legal issues in relation to the Offer. Hence, SB1M's assessment is based on financial, economic, market and other conditions as in effect of, and the information available to use as of, the date of this statement.

### **2. THE OFFER AND THE OFFER DOCUMENT**

The Offer is NOK 17.0 per share with settlement in cash (the "**Offer Price**"). The offer period is from 2 March 2022 at 09:00 (CET) until 30 March 2022 at 16:30 (CET) (the "**Offer Period**"). Settlement is expected to take place within 14 calendar days after the end of the offer period.

Further details are set out in the mandatory offer document dated 1 March 2022 (the "**Offer Document**"). SB1M recommends shareholders of NODL to carefully study the information given in the Offer Document.

SB1M has not conducted any independent verification of the information contained in the Offer Document, but has assumed its accuracy and completeness, and that no information is

misleading or withheld.

### 3. ASSESMENT OF THE OFFER

#### *Financial fairness*

The evaluation of the Offer has been made on objective criteria, to the extent possible, and on generally accepted and recognized valuation methods that have been deemed relevant and applicable. In addition, SB1M has considered certain other factors that are deemed to be relevant.

The primary methods applied in the review of the financial fairness of the Offer include:

- Review of the recent share price development and trading range, also considering the liquidity and turnover levels, pre- and post-Transaction.
- Study of historical take-over and control premiums, compared to the Offer Price and premium implied in the Offer.
- A scenario-based valuation of alternative outcomes of the three disputes whereby the Company's subsidiary buying companies (the "**Buyers**") seek to recover the amount of the instalments paid to Daewoo Shipbuilding and Marine Engineering ("**DSME**") towards three resale contracts for the drillships West Aquila, West Libra, and West Cobalt, plus further damages. The Buyers have cancelled the resale contracts for West Aquila and West Libra citing breach of contract by DSME. The Buyer for the West Cobalt has rescinded the resale contract for DSME's misrepresentations, and in the alternative cancelled the resale contract for breach of contract by DSME. Arbitrations have been commenced in respect of West Aquila and West Libra, but neither party has yet commenced an arbitration in respect of West Cobalt. In each case, DSME has disputed the termination/rescission of the resale contract and has stated that it will claim damages, but DSME has not yet quantified its claims for damages.

The Offer Price represents a premium of 24% to the last closing price of NODL's shares of NOK 13.7 per share, as per 4 February 2022 (the date prior to the announcement of the Transaction and the Offer). Compared to the 1-month, 3-month, 6-month and 12-month volume-weighted average share price, the Offer price represents a premium of 19%, 25%, 31% and 33%, respectively.

After initially trading in a tight range around the Offer Price, the NODL share has recently appreciated to trade at a ~19% premium to the Offer Price, based on a closing price of NOK 20.15 as by 21 March 2022.

The Offer Price values the equity of the Company at approx. USD 31m. The claims towards DSME are for the amount of instalments paid of USD 49.2m for the West Cobalt, USD 90m for the West Aquila and USD 90m for the West Libra, respectively, plus other damages. If a Buyer is successful in its claims under the relevant resale contract, it will recover these amounts with the addition of interest and, likely, a proportion of its litigation costs for that arbitration. The expected value of the claims to shareholders exceeds the Offer Price. Only in the events i) the Buyers are unsuccessful in all three disputes, or ii) agree to settle the claims at a substantially lower value than the amount claimed, the value of the claims will be lower than the Offer Price.

Having applied these methods and based on our considerations, SB1M is of the opinion that the Offer Price is not fair from a financial point of view.

#### **4. OTHER MATTERS**

SB1M notes that the Offer is a result of completion of the Transaction. Subsequent to the Transaction, Hemen controls 40.1% of the shares of the Company. Should Hemen acquire additional shares as a result of the Offer, liquidity in the NODL share may be reduced, and shareholders' ability to monetize their shareholding be reduced. If Hemen reaches the 67% threshold, they may seek to apply for a delisting of the shares. Should Hemen reach the 75%, 90% or 95% thresholds, Hemen may seek to acquire the remaining outstanding shares of the company through procedures available to it under Bermuda Law, such as a Scheme of Arrangement or a Compulsory Acquisition.

The Company will need to raise additional capital to finance the expected costs of the disputes, and shareholders unable or unwilling to contribute additional capital may be diluted through such a capital raise.

#### **5. STATEMENT REGARDING COMPANY'S REPRESENTATIVES AND EMPLOYEES**

The Company has one employee, and no particular employee view on the Offer has been expressed to the Company or to SB1M. Pursuant to the Offer, the Offeror has no current plans to make changes to the Company's workforce, and the Offer is not expected to have legal, economic, tax related or work-related consequences for the employees in the Company.

#### **6. CONCLUSION**

Overall, SB1M is of the opinion that the Offer is not fair from a financial point of view.

SB1M does not express any opinions or recommendations as to whether or not shareholders of NODL should accept the Offer, but recommends each shareholder to evaluate the Offer carefully on the basis of its individual preference and position. SB1M notes, however, that shareholders wishing to monetize may currently receive a higher consideration by selling their shares in the market as opposed to accepting the Offer.

The evaluations supporting the assessment contain subjective elements and reflect SB1M's reasonable best estimates based on the assumptions contained in this statement, and is taken to be in accordance with applicable industry standards.

This document including the advice contained herein is based on information as of 21 March 2022, and is subject to change in the case of new information.

On behalf of SpareBank 1 Markets AS,



Henrik Kulseng-Hanssen  
**Head of Investment Banking**

(sign.)

Jørgen Heszlein  
**Director, Investment Banking**

*Important notice*

SB1M is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, competitive bidding, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. SB1M will receive a fixed fee for providing this statement. The fee is independent of the conclusions herein and of the success of the Offer and any subsequent transaction, and will be payable upon the delivery of the fairness opinion. SB1M has only provided this statement in connection with the Offer, and has not acted as a financial advisor or in any other respects assisted any of the parties involved, whether in relation to the Transaction or the Offer. This statement is not addressed to, and may not be relied upon by, any third party for any purpose whatsoever.

This statement is not intended to be and shall not constitute a recommendation to the shareholders of the Company as to whether to accept the Offer or not, and each shareholder remains solely responsible for its own decisions. SB1M strongly recommend shareholder to carefully study the Offer Document and draw their own conclusions. Furthermore, we recommend shareholders to seek advice from professional advisors with respect to tax consequences and other effects of accepting the Offer. SB1M undertakes no responsibility with regards to any decisions based on the statement of the Company's board of directors and/or SB1M's assessment of the Offer made by the Offeror.

As of 21 March 2022 (the date immediately preceding the date of this statement), no SB1M employees own, directly or indirectly, shares in the Company, and, to our knowledge, no SB1M employees own, directly or indirectly, shares in the Offeror. Related parties, such as spouses of SB1M employees, may own shares in the Company and/or the Offeror.

Evaluations of this nature will always contain an element of uncertainty and although reasonable care and efforts have been exerted, SB1M does not accept any legal or financial liability related to this statement, nor any consequences resulting from acting to or relying on it.

In the ordinary course of business, SB1M may trade or otherwise effect transactions in all shares in all of the listed instruments mentioned herein for our own account and for the accounts of customers and accordingly, may at any time hold a long or short position in such securities.

Any dispute arising out of, or in connection with, this statement shall be governed by the laws of Norway and shall be subject to the exclusive jurisdiction of the Norwegian courts with Oslo District Court as legal venue.