

To the shareholders of Northern Drilling Ltd

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Attention: The Board of Directors

Oslo, 29 December 2023

## Northern Drilling Ltd. - Independent Statement regarding the Mandatory Offer

### 1 BACKGROUND AND INTRODUCTION

KWC AS (“**KWC**”) has been engaged by Northern Drilling Ltd. (“**NODL**” or “**Company**”) in connection with the mandatory offer (“**Mandatory Offer**” or “**Offer**”) by Hemen Holding Ltd. (“**Offeror**”) a private limited liability company incorporated and existing under the laws of Cyprus, to acquire all issued and outstanding shares in the Company pursuant to chapter 6 of the Norwegian Securities Trading Act (the “**NSTA**”), as set out in the Offer Document (“**Offer Document**”) dated 7 December 2023.

In relation to the above, the Company's Board of Directors has engaged KWC AS (“**KWC**”) as an independent third party to provide a fairness opinion and independent assessment of the Offer (“**Independent Statement**”) on behalf of the Company. Note that the Mandatory Offer is launched by the Offeror in concert with the Company's Board of Directors. Therefore, the Board of Directors has recused itself from its obligations as set out in §6-16(4) of the Norwegian Securities Trading Act. KWC's Independent Statement is designed to fulfill the requirements of §6-16(1).

### 2 MANDATORY OFFER

The Offeror is offering to acquire all shares in the Company at a price of NOK 0.125 in cash for each share tendered in the offer (“**Offer Price**”), on the terms and subject to conditions and limitations set out in the Offer Document. The Offer values the Company at approximately NOK 43.9 million. No interest or other compensation other than the Offer Price will be paid by the Offeror to shareholders tendering shares in the Offer.

The Offer Price corresponds to the subscription price in the private placement which was placed on 25 October 2023, which also corresponded with the subscription price in the subsequent offering, the results of which were announced on 13 November 2023.

### **3 INDEPENDENT STATEMENT**

KWC will receive a fee for its services on delivery of this Statement, based on the number of hours incurred and standard hourly fee rates. No employee of KWC owns shares or has any personal or financial interest in NODL or the Offeror the consequences of the Offer, other than the performance of this engagement.

### **4 PURPOSE OF THIS STATEMENT**

The purpose of this Statement is to provide all shareholders in the Company with an independent assessment as to whether the Mandatory Offer is “fair” from a financial point of view and comment as necessary on other matters as required by §6-16(1) of the Norwegian Securities Trading Act.

### **5 SCOPE OF OUR WORK**

In making our assessment of the Offer we have reviewed the Offer Document and considered the Offer Price and other terms from several perspectives relative to an assessment of Fair Market Value in the circumstances. We have sought to obtain support for our conclusions based on assessments of the circumstances leading up the mandatory offer, as well as the specific contents of the Offer Document. The scope of our work can be summarized as follows:

- Considered the background to, and the specific events leading up to the date of the Offer Document.
- Reviewed and considered the process leading up the 25 October private placement and the subsequent offering.
- Considered the participation rate among the shareholders in both the private placement and the subsequent offering.
- Performed our own valuation considerations based on the estimated potential outcomes related to the arbitration processes in which the Company is involved.
- Considered commentary and views from financial analysts tracking this sector (no external analysts are covering NODL, but some have commented on the Offer and the background to the Offer).

We have considered the results of all the above in arriving at our conclusions. The evaluations supporting our conclusions contain subjective elements, including our own best effort estimates derived from the information obtained and our experience in valuation matters.

In this connection we have received all the information that we have requested from the Company.

We have not conducted any independent verification of the information in the Offer Document. For the purposes of this Statement, we have assumed that all information in the Offer Document is correct, complete in all material respects, and not misleading. We have also relied on, and assumed, without independent verification, the accuracy and completeness of the information made available to us by the Company and by third parties in this connection.

We have not evaluated any tax or legal issues related to the Company or its shareholders. Our Statement is based on financial, economic, market and other relevant information available at the date of the Offer Document published on 7 December 2023 and up to the date of this Statement.

### **6 SHARE PRICE DEVELOPMENT**

The last twelve months the Company’s share price has fluctuated between NOK 20.50 per share and NOK 1.1 per share, with a closing share price on 22 December 2023 of NOK 1.16. This means that

despite the communication to the market in respect of the private placement, the subsequent issue, and now the Offer, all based on a price per share of NOK 0.125, has not caused the share price to migrate towards the Offer Price level.

## **7 IMPACT OF THE OFFER ON THE COMPANY, SHAREHOLDERS AND EMPLOYEES**

### **7.1 COMMERCIAL RATIONALE**

The Offeror has stated in the Offer Document that:

*“Hemen is obligated to make the Offer in accordance with chapter 6 of the Norwegian Securities Trading Act as Hemen became the owner of more than 50 % of the Shares by acquisition of Shares on 8 12 November 2023. As of the date of this Offer Document, there are no specific plans for any reorganisation or similar process involving Northern Drilling or any of their subsidiaries. Following completion of the Offer, depending on the number of Shares acquired by the Offeror pursuant to the Offer, the Offeror intends to propose to the general meeting of the Company to apply to Oslo Børs for the delisting of the Shares in the Company. Please see Section 1.22 below for more information.”*

Further to this, we note that the private placement and the subsequent offering were initiated with a view to finance the Company’s ongoing arbitration processes.

### **7.2 CONSEQUENCES FOR EMPLOYEES**

According the Offer Document, the Offeror has no plans to make changes to the Company’s workforce or senior management after the completion of the Offer. As at the date of this Offer Document, the Offeror has no specific plans to make any reorganization of the Company or the group.

Further, the Offeror has stated in the Offer Document that the Offer expected to have any legal, financial, employment consequences for the employees of the Company.

The employees have not made any separate statement regarding the Offer.

### **7.3 CONSEQUENCES FOR SHAREHOLDERS**

If, as a result of the Offer, or otherwise, the Offeror chooses to initiate a compulsory acquisition (squeeze-out) of remaining shares not already owned by the Offeror, pursuant to Bermudan company legislation, we have been informed that the Offer Price will also be applied in any such squeeze-out.

Any application for de-listing will be approved or rejected by the Oslo Stock Exchange in accordance with the Oslo Stock Exchange continuing obligations for stock exchange listed companies.

KWC has not received any information to indicate that the Offeror’s statements are in any way incomplete or incorrect. However, we are not able to make any further assessment of the consequences of accepting the Offer.

## **8 ASSESSMENT AND EVALUATION OF THE OFFER**

### **8.1 OFFEROR’S POSITION**

The Offeror is a private limited liability company incorporated and existing under the laws of Cyprus. It is indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family.

## **8.2 INFORMATION AND PROCESS**

We have not identified any information to suggest that the Offer process has been anything other than an arm's length market transaction.

In this context it should be noted that the members of Hemen's board of directors have recused themselves from providing a fairness opinion in respect of the Company's shareholders, as the The Oslo Stock Exchange has decided the Mandatory Offer shall be deemed as launched in agreement with the Company's Board of Directors.

None of the board members of Northern Drilling or its CEO have expressed an individual view on the offer. The board members and the CEO therefore refer to the independent statement from KWC, and recommend that shareholders study the offer document and draw their own conclusions. We are aware that one of the board members owns shares in the Company. It is not known to us whether this board member plans to accept the Offer.

We are unaware of any new information or circumstances up to the date of this Statement which has a material impact on our conclusions.

## **9 KWC ANALYSES**

Set out below is a summary of the various analyses conducted in arriving at our conclusions and recommendations.

### **9.1 DISCOUNTED CASH FLOWS**

Discussions with management and our own DCF analyses support a current stand-alone financial value for 100% of the Company of NOK 0.10 – 0.20 per share for all of the outstanding shares.

Hence, the Offer Price of NOK 0.125 per share does not reflect any premium to this estimate of Fair Value for control of the Company. Our view is that this is reasonable, as the Company does not have any regular operations. This means that the typical benefits of control through majority ownership (e.g. the ability to control the strategic direction of a company's operations) are not as relevant as in most take-overs.

### **9.2 BROKER RESEARCH AND ANALYSIS**

Our review of analyst commentary are consistent with our conclusions. For instance, one analyst comments that they "see very limited value in NODL". None of the analyst's comments that we have seen have indicated that the Offer Price is unreasonable.

## **10 CONCLUSIONS AND RECOMMENDATIONS TO THE SHAREHOLDERS OF NODL**

Based on a holistic and therefore judgmental evaluation of all the matters set out above, we have concluded that the Offer Price of NOK 0.125 per share is in line with a Fair Market Value for 100% of NODL.

Therefore, we are of the opinion that the terms of the Mandatory Offer are fair from a financial point of view, and thus represents a full and fair arm's length price for all the outstanding shares of NODL.

However, this Statement is not intended to be and shall not constitute or be construed as a recommendation to individual shareholders of NODL, as to whether to accept the Offer from the Offeror or not, and each shareholder remains solely responsible for their own decisions based on their own circumstances.

We recommend that shareholders study the Offer Document and draw their own conclusions. Furthermore, we recommend that shareholders seek advice from professional advisers with respect to tax and other consequences of accepting or not accepting the Offer.

On behalf of KWC AS

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Simen B. Weiby

Partner