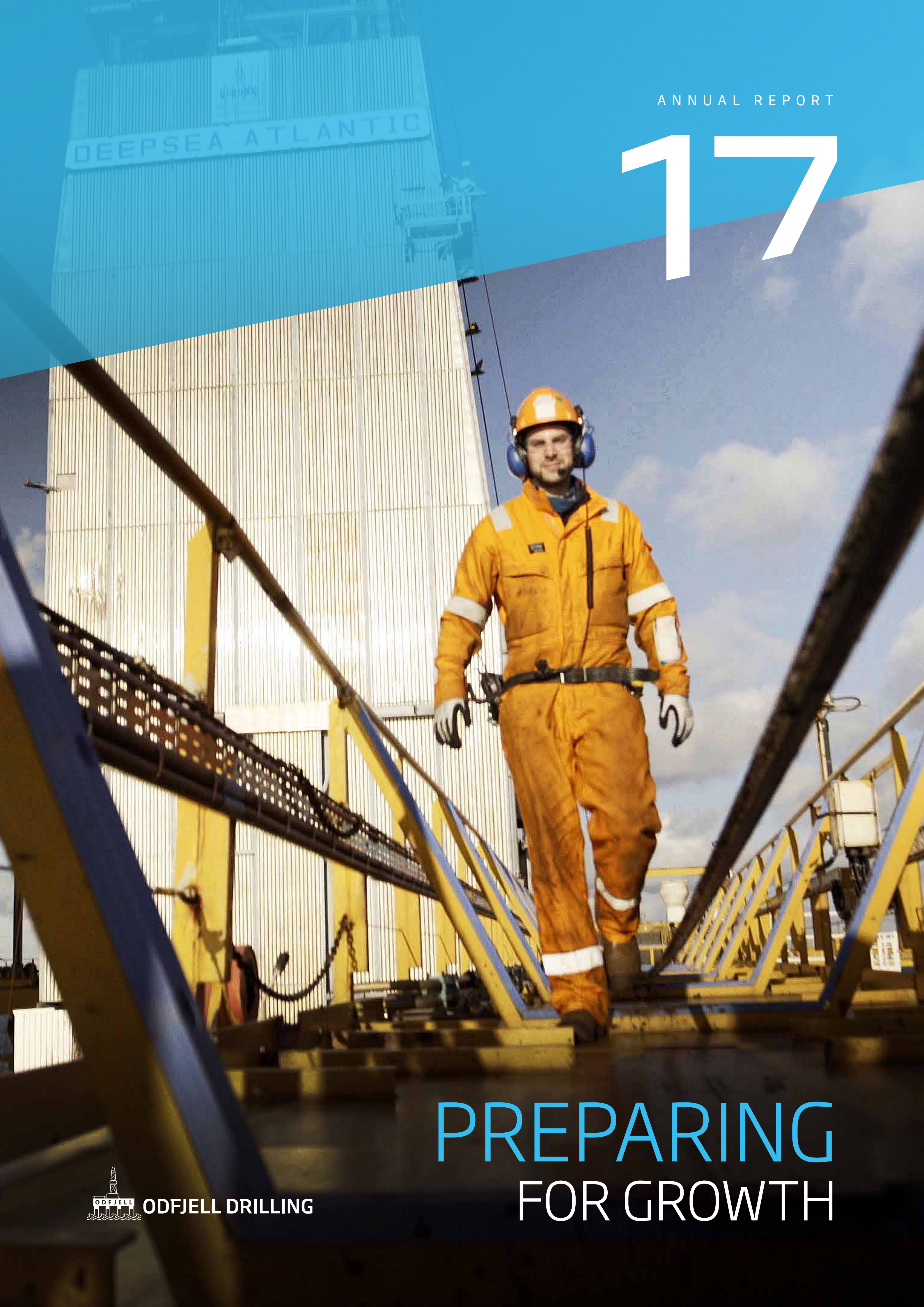

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PREPARING FOR GROWTH

ODFJELL DRILLING

ODFJELL DRILLING

ANNUAL REPORT 17

Content

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Preparing
for growth

By the end of 2016 we had no reason to be too optimistic about the market. After nearly three years with reduced activities and falling oil prices, we expected 2017 to be another tough year for our industry. And it has been for most companies. There has been a number of units laid up and the downscaling has continued. However, 2017 has been a much better year for Odfjell Drilling than we feared a year ago and we have as a company achieved a lot. We are not through the crisis yet, but we have seen signs of recovery for our industry and we believe we have seen the bottom of the deep downturn in our industry. In Norway about 50.000 jobs have been lost and globally more than 500.000 people have lost their jobs.

Even before the market downturn appeared in 2014, Odfjell Drilling launched initiatives to improve the Company's competiveness. During the last three years, a number of measures have been implemented and we believe we are in a better shape to meet the challenges going forward than ever.

In this respect, we do see 2017 as a turning point for most of our activities. It's still tough, but a number of important achievements create more optimism for the future than just a few months ago.

In 2017 Odfjell Drilling has again maintained a high level of safety within all our activities, and our HSE key performance parameters have stayed on a low frequency.

Operating in a safe and prudent manner is crucial for our license to operate. We know a safe operation is also an efficient one, and our aim is to work with safety as an integrated part of our operations. The value of safety is a major player in all decision making, and we work purposefully and relentlessly to strengthen safety and improve quality in all our activities.

Odfjell Drilling will also continue to focus on environmental performance and energy management in accordance with the company's environmental principles.

In 2017, we have achieved some remarkable results and we have been awarded some important contracts that even the most optimistic of us could not see a year ago. The last twelve months, we have entered into contracts for our Mobile Drilling Units (MODU) and Platform Drilling for nearly USD 500 million. In addition, Odfjell Well Services (OWS) has secured a number of new contracts in several regions.

Following three years of downscaling, we have managed to grow our activities again and increased our staff from around 1,700 to nearly 2,200 this year, all due to new contracts.

We have seen improvements in most areas.

OWS has continued to experience major price pressure and this combined with postponed activities and tenders have made it difficult to deliver as expected in 2017. We believe we have seen a turning point and we have reason to believe that OWS will show improved performance.

The improvements in platform drilling are also significant and the results are more positive. With more tender activity and new work already won, we expect improved results going forward.

MODU has done very well in 2017. All our units have delivered beyond expectations and we have some extremely effective assets that deliver results that have set new benchmarks in the market. We also have a high standard both related to QHSE and efficiency and I trust this is very much due to a very competent and motivated work force.

None of this has come for free, it has been intensive work for all of us in Odfjell Drilling, and I am both pleased and proud of what I have seen from the organisation this year. Following three years of downsizing and cost-cutting, the whole organisation has managed to keep up the good work; stayed motivated and delivered results that deserve respect.

Going forward, we will continue our cost awareness program (CURE) that was launched in 2013 and which has enabled us to reduce indirect cost / administration by USD 60 million. This has been critical for the company to stay competitive, adapt to the new market situation and win new contracts. But to keep our competitive edge, we need to keep a "fanatic discipline" to avoid the cost level to increase again.

In 2017 we also introduced a new programme (EDGE) to facilitate growth by adopting a systematic approach all the way from analysis and planning through delivery. The drilling market is still challenging and 2018 will be a year of continuous struggle for many companies. With continued pressure on prices and rates and an increasing and more fierce competition, we expect it will take another year or two before we see a real upturn in the market. Hopefully we will then see further improvement in the harsh environment both with regards to activity level and day rates.

Simen Lieungh
President & CEO, Odfjell Drilling

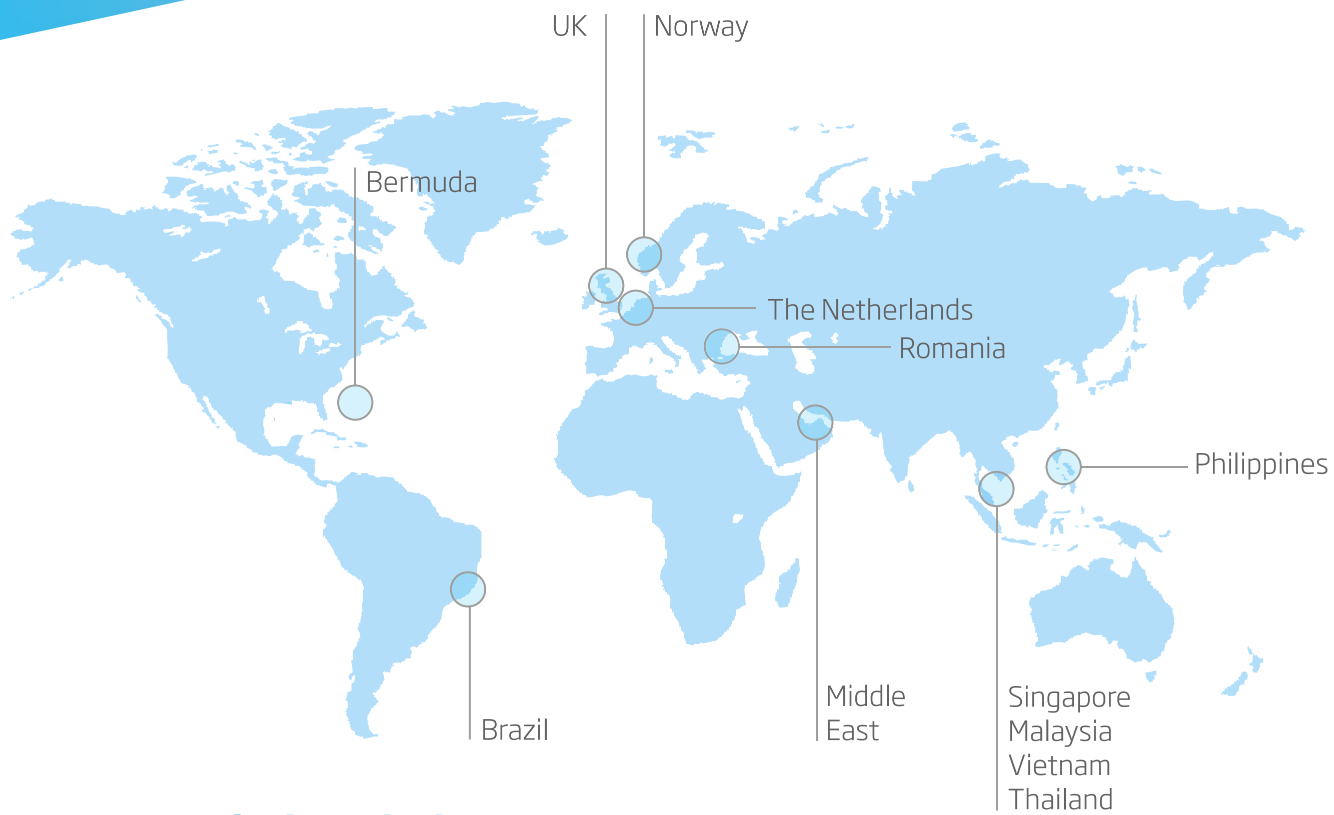
ODFJELL DRILLING

In brief

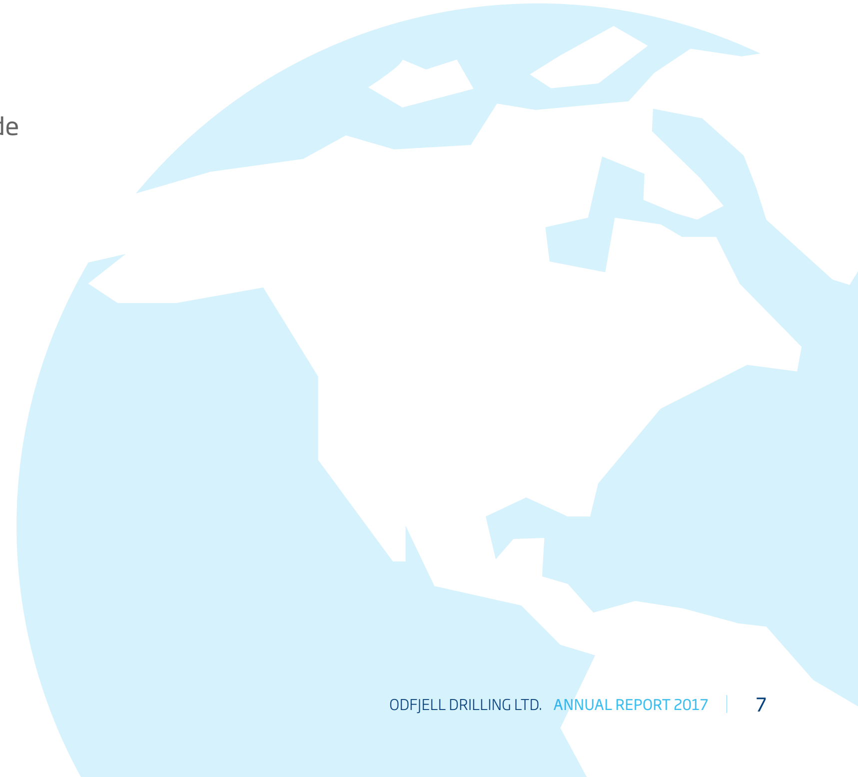
- Nearly 2,200 employees approx. 20 countries
- Highly specialized engineers supporting all business segments
- Highly committed and experienced work force within all business areas

- Operates five highly advanced offshore drilling rigs and one drillship
- Modern fleet with five 6th generation state-of-the-art drilling units delivered 2009 – 2014
- Integrated world class supplier of well services across the globe

- 45 years of experience from worldwide drilling and well service operations
- Continuing investments in the latest and best technological solutions
- Multiple revenue sources from complementary business areas



Worldwide activities



«All our units have delivered beyond expectations and we have some extremely effective assets that deliver results that have set new benchmark in the market”

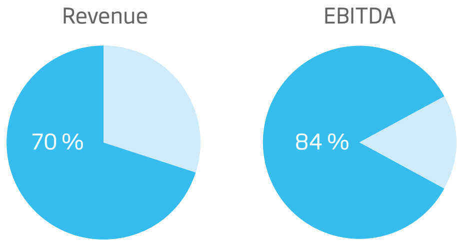
An integrated partner

for high quality drilling and well services

Mobile Offshore Drilling Units

Drilling operations in Norway, UK, The Philippines and in Vietnam. The sixth generation semisubmersible Deepsea Stavanger started drilling operations for Wintershall on the Maria field project in March 2017. Deepsea Stavanger and Deepsea Atlantic finished their well programs on Maria and the Johan Sverdrup field on approximately 50 % of scheduled time.

- Modern fleet of ultra deepwater and harsh environment drilling units with proven excellent efficiency
- Extensive drilling experience
- Provision of integrated management services for drilling units



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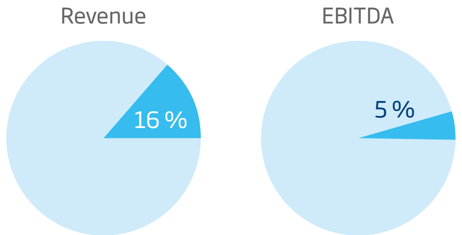
Drilling & Technology

Integrated drilling and engineering services in Norway and the UK. Engineering and project management services, expertise in upgrades and modifications, subsea operations, well control and rig inspection services from offices in Bergen, Stavanger, Aberdeen and Manila.

- Providing integrated platform drilling services on 15 installations in the North Sea
- Conceptual engineering and engineering design
- Construction and commissioning support, modifications and upgrades
- Compliance assurance and maintenance management
- Marine and operational support



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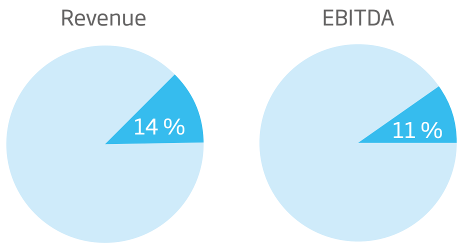
Well Services

A significant player within tubular running, rental and well intervention services established in Europe and the Middle East with hundreds of skilled, highly qualified and engaged employees working around the globe.

- Conventional and TopDrive casing and tubular running services
- Casing while drilling
- Drill tool and tubular rental
- Well intervention services, fishing and wellbore clean-up
- Services in approx. 20 countries from 11 bases in Europe, the Middle East and Asia



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Key Consolidated Figures

	2017	2016	2015	2014	2013
Profit and loss (USD million)					
Operating revenue	662	657	927	1,088	1,174
Operating profit before depreciation (EBITDA)	274	285	78	272	393
Operating profit (EBIT)	112	34	(242)	131	248
Net profit before tax	37	(39)	(335)	79	171
Net profit	35	(64)	(319)	42	69
Balance sheet (USD million)					
Non-current assets	1,819	1,957	2,189	2,657	2,239
Current assets	319	307	428	435	497
Total assets	2,138	2,264	2,617	3,093	2,736
Equity	767	722	792	1,116	1,130
Non-current liabilities	1,100	1,227	925	1,561	1,194
Current liabilities	272	314	900	416	411
Total equity and liabilities	2,138	2,264	2,617	3,093	2,736
Key ratios					
Equity to asset ratio (as a percentage of total capital)	36 %	32 %	30 %	36 %	41 %
EBITDA margin	41 %	43 %	8 %	25 %	34 %
EBIT margin	17 %	5 %	-26 %	12 %	21 %
Profit margin (pre-tax)	6 %	-6 %	-36 %	7 %	15 %
Profit margin (after-tax)	5 %	-10 %	-34 %	4 %	6 %
Earnings per share (USD)	0.18	-0.32	-1.61	0,.21	0.35
Number of shares	198,736,900				

Earnings per share is based on the issued number of shares in Odfjell Drilling Ltd., which were 198 736 900 shares as per 31 December 2017. Comparative figures (EPS) are presented retrospectively based on number of issued shares as at 31 December 2017. Earnings per share is based on profit after tax attributable to owners of the parent.

Milestones 2017

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Deepsea Stavanger

Following a conditional Letter of Award in March, Odfjell Drilling was in June awarded a deep-water contract for Deepsea Stavanger with Total E&P offshore South Africa. The contract is for one well plus one optional well. The contract value for the firm well including compensation for mobilization/demobilization period is estimated up to USD 55 million. The firm drilling is expected to take 60-80 days. The firm well is a re-enter of a problematic wildcat that Total previously had to give up.

The Aker BP Alliance

In August Deepsea Stavanger was awarded a drilling contract with Aker BP that filled the gap between the Wintershall drilling program and Total's South Africa well. In November Odfjell Drilling entered a drilling and wells alliance with Aker BP and Halliburton. In December Odfjell Drilling announced the first call-off of under this alliance by signing a 12 months drilling contract for Deepsea Stavanger back-to-back with completion of the Total South Africa contract. Estimated commencement is Q2, 2019.

Deepsea Bergen

In 2017 Odfjell Drilling has been awarded three drilling contracts for Deepsea Bergen. In December 2016, Odfjell Drilling could announce a drilling contract with Faroe Petroleum for Deepsea Bergen back-to-back with the Statoil contract that expired by mid-July 2017. In March Deepsea Bergen was awarded a drilling contract with Wellesley Petroleum for one well and in April another contract award came with OMV for a firm HPHT well plus an optional well. In June Deepsea Bergen got a new drilling contract with Statoil for one firm well plus four options each of 3 wells. The contract value is up to USD 55 million for the firm well and the first 3 priced options.

Platform Drilling UK

In June Odfjell Drilling (UK) was awarded a platform drilling contract with TAQA Bratani for five fixed installation on the UK Continental Shelf. The firm contract is for two years with no limit of one-year options. This award from TAQA recognises Odfjell Drilling as a quality provider of platform drilling and maintenance services with a strong focus on safe and efficient operations. Already on 1st August, Odfjell Drilling took over operation on the five TAQA Bratani installations.

Platform Drilling UK

In October Odfjell Drilling (UK) was awarded a platform drilling with EnQuest for production drilling on the Magnus platform in UK. The contract started in 2017 and so far 3 wells have already been executed under the contract with a further 2 wells options. This was the second platform drilling contract awarded to Odfjell Drilling (UK) in four months and with a new client for the company.

Odfjell Well Services

In August Odfjell Well Services Norway signed a contract with ConocoPhillips for Casing, Tubing Running and Pulling Services on the Ekofisk field on the Norwegian Continental Shelf. The firm duration of the contract is 4 years. In addition there are 2x2 years options. This contract is recognition to OWS for their ability to adapt to new market conditions and promote solutions to reduce cost for the client.

ODFJELL DRILLING

Successful

turnaround in platform drilling

Platform drilling has been a key business area for Odfjell Drilling for more than 35 years. After several years with red figures on the bottom line, Odfjell Drilling has implemented a range of measures that generated profits exceeding expectations.

"First and foremost, all our operations in Norway and UK are delivering strongly. We've worked really hard in this area with the aim of completing all our activities without incidents and getting everything right the first time. We now have an operational model that is attractive to our customers and adds value for them," relates Ole Fredrik Maier, EVP for Platform Drilling & Technology at Odfjell Drilling.

Strong results

Odfjell Drilling commenced work on a range of new contracts in Norway and UK in 2017.

"We have new contracts with Wintershall in Norway, as well as with TAQA Bratani and EnQuest in UK, and all these contracts have made a positive contribution. In addition, we did some clearing up in our contract portfolio in 2016 and this generated a positive benefit in 2017. We launched our cost-cutting 'CURE' programme a few years ago and this has started to generate strong results," says Ole Fredrik Maier.

He goes on to highlight the following successful operations and contracts in 2017:

- Start-up of the Brage operation for Wintershall in Norway was completed without incidents and with excellent operational results. It also won the company CEO Safety Performance Award for 2017.
- Conclusion of the Clair operation for BP was smoothly executed.
- The start-up of the TAQA contract and the launch of the Eider P&A campaign should also be mentioned. New contract, new team, safe and effective start-up with a completely new operation model.
- The Grane team performed at a consistently high level for Statoil in 2017. They were actually named "operation of the month" by Statoil a total of five times in 2017 - in the face of tough competition from 15 Statoil fixed platform operations.
- Heidrun has performed consistently well, too, with one of the wells rated a "perfect well".

Positive outlook

"To ensure continued growth, we plan to use the solid deliveries in 2017 in our work to become a preferred drilling contractor," explains Ole Fredrik Maier.

"We must continue to work in a disciplined manner and to consolidate the savings we have achieved through our CURE programme. This is essential if we are to be able to offer competitive prices. At the same time, we need to have an organisation that is robust enough to allow additional growth," he adds.

Some of Odfjell Drilling's growth in 2018 will stem from commencing operations presently in the company's contract portfolio.

"We'll be starting operations on Clair Ridge for BP, Mariner and Johan Sverdrup for Statoil, Magnus for EnQuest and North Cormorant for TAQA Bratani in 2018. We are constantly evaluating our operational model, and modifying it on an ongoing basis so as to generate as much value as possible for our customers," concludes Ole Fredrik Maier.

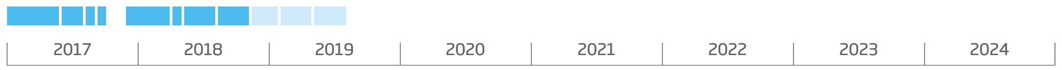
A modern fleet of advanced mobile offshore drilling rigs and drillships

DEEPSEA BERGEN / Ownership: 100 %

The semisubmersible drilling rig Deepsea Bergen is a self propelled semisubmersible unit of enhanced Aker H-3.2 design, commissioned in February 1983 and has since launch operated mainly in the Norwegian sector of the North Sea.

Deepsea Bergen will operate for OMV and Statoil during 2018 on the Norwegian continental shelf.

Operational areas	Midwater, harsh environment
Owner	Odfjell Drilling
Design	Aker H-3.2 modified
Location and client	Norway for OMV and Statoil

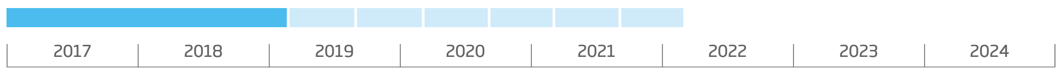


DEEPSEA ATLANTIC / Ownership: 100 %

Deepsea Atlantic is a sixth generation ultra deepwater and harsh environment semisubmersible. This unit, alongwith its sister rigs Deepsea Stavanger and Deepsea Aberdeen, is a state of the art dual derrick, dynamically positioned unit of enhanced GVA 7500 design.

Deepsea Atlantic is currently drilling on the Johan Sverdrup contract for Statoil.

Operational areas	Ultra deepwater, midwater, harsh environment
Owner	Odfjell Drilling
Design	Enhanced GVA 7500
Location and client	Norway for Statoil

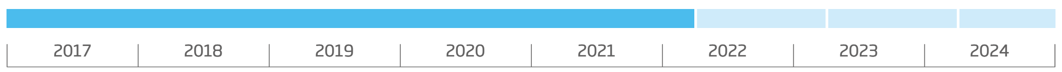


DEEPSEA ABERDEEN / Ownership: 100 %

Deepsea Aberdeen is the newest of the enhanced GVA 7500 harsh environment design and is the last addition to the Odfjell Drilling fleet.

It was delivered from DSME in November 2014 and started drilling operations for BP West of Shetland in April 2015.

Operational areas	Ultra deepwater, midwater, harsh environment
Owner	Odfjell Drilling
Design	Enhanced GVA 7500
Location and client	West of Shetland (UK) for BP



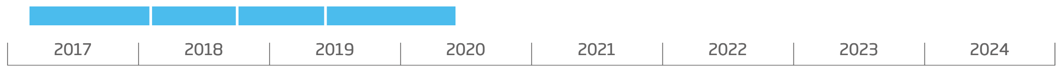
Contract Option

DEEPSEA STAVANGER / Ownership: 100 %

Deepsea Stavanger is a sixth generation ultra deepwater and harsh environment semi-submersible. This unit, along with its sister rigs Deepsea Atlantic and Deepsea Aberdeen, is a state of the art dual derrick, dynamically positioned unit of enhanced GVA 7500 design.

Deepsea Stavanger will operate for Aker BP on the Norwegian Continental Shelf in 2018 and will thereafter mobilise to South Africa for a one well contract for Total end of 2018. The unit will return to Norway and continue operations for Aker BP from mid 2019 onwards.

Operational areas	Ultra deepwater, midwater, harsh environment
Owner	Odfjell Drilling
Design	Enhanced GVA 7500
Location and client	Norway for Aker BP and South Africa for Total

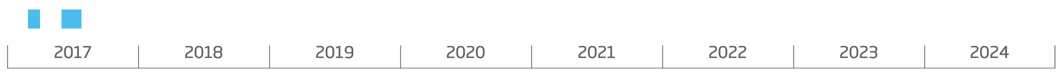


DEEPSEA METRO I / Drilling Management

Deepsea Metro I is an ultra deepwater drillship of Gusto P10000 design. The vessel was delivered by Hyundai Heavy Industries in South Korea in June 2011. Odfjell Drilling manages the unit.

Deepsea Metro I is currently hot stacked in Labuan, Malaysia

Operational areas	Ultra deepwater
Owner	Golden Close Maritime Corp. Ltd
Design	Gusto P10000
Location and client	Malaysia, free for charter

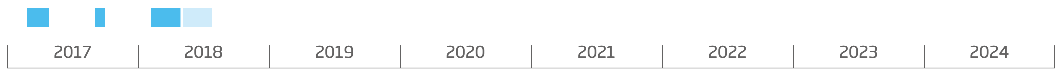


ISLAND INNOVATOR / Drilling Management

Island Innovator is a midwater, harsh environment semi-submersible of GM4000-WI design. The rig is managed by Odfjell Drilling under a management agreement with Island Drilling Company ASA.

Island Innovator is on a drilling contract with Spirit Energy on the Norwegian Continental Shelf for parts of 2018.

Operational areas	Midwater, harsh environment
Owner	Island Drilling Company ASA
Design	Global Maritime GM4000-WI
Location and client	Norway for Spirit Energy



Contract Option

ODFJELL DRILLING

Preparing
for growth

In 2017 a new programme EDGE was introduced to facilitate growth. EDGE is our toolbox to secure a systematic, disciplined growth for the company, to further develop leadership and our employees, and at the same time improve our efficiency and reduce cost. It fits with Odfjell Drilling's vision; to strengthen our competitive edge to be chosen for our experience and expertise!

For nearly four years, Odfjell Drilling has had various initiatives going to increase efficiency and reduce costs. Despite a very challenging market with a considerable pressure on the organization, we have seen very good improvements year by year and in 2017 some remarkably results have been achieved.

None of this has come for free; it has been intensive work from the whole organisation to deliver the results we see for 2017. By these achievements, Odfjell Drilling is in a better shape than ever to meet the challenges going forward.

Programme Facts

→ The CURE programme

The cost-efficiency program was established back in 2013 and has later been intensified and expanded. CURE is a commercial improvement programme design to sharpen the company's competitive edge through standardization, simplification and cost reductions.

CURE stands for;

- Competitiveness
- Utilisation of resources
- Reduction of cost base
- Efficiency in operation

→ The Edge Programme

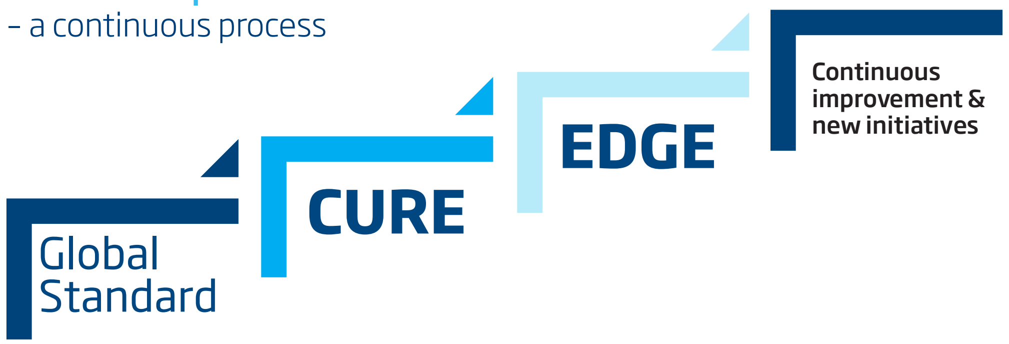
The EDGE programme aims to facilitate growth and to create values for the company and the customers. It focuses on generating growth by adopting a systematic approach all the way from analysis and planning through to delivery.

EDGE stands for;

- Expertise
- Discipline
- Growth
- Efficiency

Both programs are established to adapt to the challenging market situation and to allow the company to adapt to the market quicker and smarter than our competitors.

Business Improvement
– a continuous process



Our Management Team

Simen Lieungh

President & Chief Executive Officer

Mr. Lieungh was appointed President and Chief Executive Officer of Odfjell Drilling in 2010. He holds a MSc in Mechanical Engineering from the Norwegian University of Science and Technology. He has held various management positions in the oil and gas industry and was previously CEO of Aker Solutions.

Atle Sæbø

EVP & Chief Financial Officer

Mr. Sæbø holds a Msc. in Business Administration from Norwegian School of Economics (NHH). He has previous held leading positions with Fred. Olsen Offshore, Geco and Nevi Corporate. Mr. Sæbø has been working with Odfjell Drilling since 1993.

Ole Fredrik Maier

EVP Platform Drilling & Technology

Mr. Maier holds a Bachelor degree in Engineering and Finance/administration from Vestfold University College (Horten ingeniørskole). He held various offshore postions in the drilling industry before he joined Odfjell Drilling in 2002.

Jone Torstensen

EVP Chief of Staff

Mr. Torstensen is educated in business economics and administration at the University of Stavanger and the University of Bergen. During 18 years in Aker Kværner and Aker Solutions Mr. Torstensen has held various management positions in finance, project management and business development. Mr. Torstensen joined Odfjell Drilling in 2012.

Michael Boysen Nielsen

EVP & Chief Commercial Officier

Mr. Boysen Nielsen holds a Bachelor degree in Marketing from Copenhagen Business School and exams in Strategy and Management from IMD Business School and London Business School. He has worked more than 20 years as business development and marketing professional in Maersk and Ocean Rig. Before joining Odfjell Drilling in 2015, Michael Boysen Nielsen was SVP, Contracts & Marketing of Ocean Rig.

Bengt A. Olsen

SVP Communication and Information

Mr. Olsen started his education in the Royal Norwegian Navy and served 4 years before he was engaged in the offshore industry. He has education in personnel administration and marketing management from the Norwegian School of Economics and Business Administration (NHH) and executive management program from the Norwegian Business School (BI). He has more than 40 years experience from the shipping and offshore markets and has been with Odfjell Drilling since 1979.

George Taggart

EVP Well Services

Mr. Taggart has 29 years' experience in the drilling systems and equipment industry and joined the company in October 2017. Mr. Taggart spent almost 20 years with Aker Solutions and MHWirth in business development, operations and regional management positions and on international assignments. Mr Taggart has technical qualifications in electrical & mechanical engineering.

Kjetil Gjersdal

EVP Mobile Drilling Units

Mr. Gjersdal has 20 years experience in the drilling and well industry. After joining Odfjell Drilling in 2000, he has held various positions within operations management, such as Rig Manager, Operations Manager and SVP MODU International. He holds a Bachelor of Science in Marine & Offshore technology from Ålesund University College.

Janike A. Myre

SVP QHSE

Ms. Myre is a business graduate from BI Norwegian Business School, and has completed master programs as well as executive management courses at BI. Ms. Myre has more than 29 years experience from leading positions in Gulf, Chevron, Sonat Offshore and Transocean. Ms. Myre has been with Odfjell Drilling since 2002.

ODFJELL DRILLING

ANNUAL REPORT

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MODU

– Taking efficiency in offshore drilling to a new level

"We have worked closely together with our clients to fully realise the huge potential that is present in our rigs"

EVP MODU Kjetil Gjersdal

Odfjell Drilling's 6th generation ultra-deep-water and harsh environments rigs have set a new standard for operations in harsh environments. In 2017 our rigs have taken further steps in achieving world class performance and setting new records for our clients.

In particular the potential in our rigs has proven evident on production drilling campaigns, like Statoil's Johan Sverdrup and Wintershall's Maria project.

"We have worked closely together with our clients to fully realise the huge potential that is present in our rigs", says EVP MODU Kjetil Gjersdal.

This has obviously paid off. "The initial plan was that Deepsea Atlantic should drill 6 production wells and 7 injection wells in the next 36 months. Now, 21 months after spudding the first well; the unit has delivered 8 production wells, 9 injection wells in addition to 6 appraisal wells. A total of 23 wells in just above 21 months (!)" says Mr. Gjersdal.

The performance for Wintershall has not been less impressive. "On the Maria field the original plan was to drill and complete 6 wells on a 576 days budget. We now look to end contract with 7 wells on 338 days. These numbers off course make a huge difference for our clients, and we have experienced an increased interest in our rigs for future projects from current and potential new clients" Mr. Gjersdal says.

When challenged on the reasons for this success he replies: "There are 3 main reasons, all equally important. And all 3 need to be present at the same time: Assets, People and Culture. When you combine our world class rigs with well-trained, competent and experienced personnel who are accustomed to operation in harsh environments, together with a winning culture, we are able to perform great things together".

Mobile Offshore Drilling Units

The business segment Mobile Offshore Drilling Units (MODU) is responsible for operations of mobile drilling units owned by the Group and units owned by other companies.

Since its foundation in 1973 Odfjell Drilling has been involved in design and construction of more than 30 offshore drilling units and operation of more than 50 fixed and mobile installations.

In 2017 Odfjell Drilling has operated five semi-submersible drilling rigs and one drillship.

The company's mobile drilling units operated in 2017 in Norway, UK, The Philippines and Vietnam.

DEEPSEA BERGEN, built in 1983, was drilling for Statoil, Faroe Petroleum, Wellesley Petroleum and OMV on the Norwegian continental shelf in 2017. The rig will start on a new 13 well contract - including options - with Statoil in Q1, 2018.

DEEPSEA ATLANTIC, delivered in 2009, is a sixth generation ultra deepwater and harsh environment semisubmersible rig which started drilling operations for Statoil on the Johan Sverdrup field in March 2016 and performed the initial drilling program of approximately 50 % of budgeted time. The rig has a three year contract with 6x6 months options.

DEEPSEA STAVANGER is a sixth generation ultra deepwater and harsh environment semisubmersible rig delivered from the DSME yard in July 2010. The rig started drilling for Wintershall on the Maria field on 20th March 2017 and performed the drilling program 292 days compared to an estimate of 574 days. Following an optional well for Wintershall, the unit will start on a 9 month drilling program for Aker BP in Q1 2018 where after it will go to South Africa for Total Energy. A new contract with Aker BP in Norway will start back-to-back with the Total Energy contract, estimated to Q2, 2019.

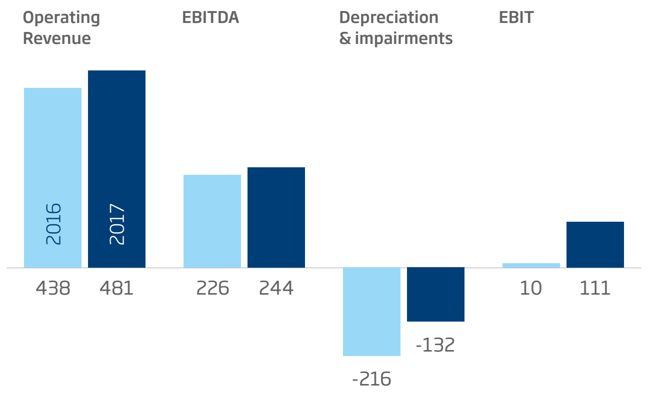
DEEPSEA ABERDEEN is a sister rig of Deepsea Atlantic and Deepsea Stavanger and was delivered from the DSME yard in November 2014 and started drilling for BP on the UKCS under a 7 year firm contract on April 21, 2015. The drilling contract also includes three years options. The rig has performed very well and delivered results beyond expectations.

ISLAND INNOVATOR is a GM4000 Enhanced Version rig that the company operates under a management agreement. In 2017 the unit has performed drilling operations for Lundin, Aker BP and OMV.

DEEPSEA METRO I is an ultra deepwater drillship delivered from Hyundai Heavy Industries in South-Korea in June 2011. Deepsea Metro I has been operating offshore the Philippines and Vietnam and is currently located in Southeast Asia idle, waiting for new charters.

DEEPSEA METRO II - The drillship ended its contract with Petrobras for drilling operations in ultra deepwater in May 2015.The vessel was sold through a judicial sales process in March 2016. Odfjell Drilling has been responsible for the unit in the lay-up period until November 2017.

KEY FIGURES (USD million)



Drilling & Technology

Odfjell Drilling's business segment Drilling & Technology consists of three business areas that as per December 2017 employ 755 people:

- **Platform Drilling Services**
- **Engineering and Project Management Services**
- **Rig Inspection Services**

PLATFORM DRILLING SERVICES

Odfjell Drilling is a major provider of drilling services on oil and gas production facilities for international E&P companies. The Platform Drilling business area provides integrated drilling services including onshore support, production drilling and completion, well maintenance, plugging and abandonment, and facility maintenance planning. The business area is currently responsible for drilling services on 15 fixed installations in Norway and in the UK.

In 2017 Odfjell Drilling provided platform drilling services to the following E&P companies in Norway and UK: Statoil, Wintershall, BP, Taqa Bratani and EnQuest.

In June 2017 Odfjell Drilling (UK) Ltd was awarded a 2-year fixed contract with no limit of 1-year options from TAQA Bratani for Drilling and Maintenance services on five platforms on the UK continental shelf; Cormorant Alpha, North Cormorant, Eider, Tern Alpha and Harding platforms. In October the company was awarded a platform drilling contract with EnQuest for production drilling on the Magnus Platform in UK.

In May 2017 the drilling campaign for Wintershall on Brage started, and in October the P&A campaign for TAQA Bratani on Eider Platform started. Also in 2017 preparations has been ongoing for manning of three new installations; The Clair Ridge for BP and the Mariner field for Statoil in UK as well as the Johan Sverdrup up manning for Statoil in Norway. Drilling services on Mariner and Johan Sverdrup is expected to start in second half of 2018.

ENGINEERING AND PROJECT MANAGEMENT SERVICES

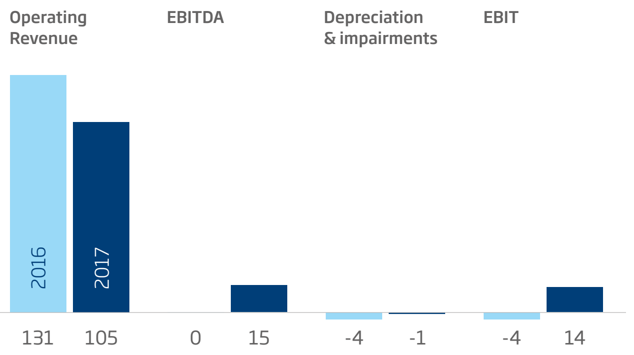
The Drilling Technology business area provides a wide range of engineering, technology support and project management services to the company's other business areas and external clients. The business segment is providing engineering services towards mobile drilling units, fixed platforms, core business support services and project management. Drilling & Technology operates from offices in Bergen, Stavanger and Aberdeen.

After several years of downsizing within the Project and Engineering unit, we have seen a stabilized market during 2017 and at the end of the year also signs of recovery. The unit has mainly been occupied provided fully integrated services as part of the Groups service range towards our main drilling clients in MODU and PDR. One of the main projects from 2016, Johan Sverdrup, have continued into 2017 and contributed positively with stable work for our engineers. A positive effect to stabilize Engineering and Projects has also been the successful contracts won by our MODU unit. The preparation of both DSA, DSS and the management of Island Innovator has significantly increased activity, especially in the second half of 2017.

RIG INSPECTION SERVICES

Rig Inspection Services, RIS, has from its start back in 2015 grown to become a considerable provider of inspection and installation services. The RIS service range covers most of the central inspection, access and installation services within the offshore drilling area. Our fully integrated rig solutions have been developed together with Odfjell Drilling and our team is percent on many of our rigs - offering cost effective solutions for our clients. With a steady growth within the Group, we now seek opportunities and offer all of our services to external clients.

KEY FIGURES (USD million)



BUSINESS SEGMENT

Well Services

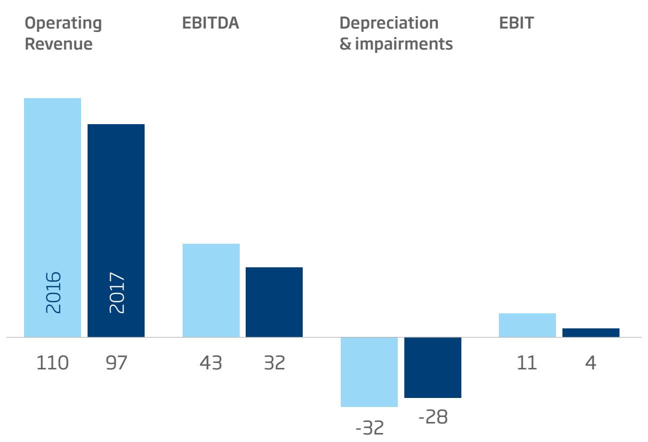
Well Services, which operates under the brand Odfjell Well Services, has operations in approximately 20 countries worldwide and an operational history spanning over more than 40 years. The business area aims at continued growth through expanding into new service areas as well as geographical expansion.

With a strong international presence, OWS employs as per 31 December 2017 457 people across 11 bases in 10 countries, and conducts operations in approx. 20 countries. Services are provided to onshore and offshore drilling operations in the North Sea (Norway, UK and the Netherlands), mainland Europe, Black Sea, Middle East, South East Asia and Africa. Well Services' strategy is to be recognized as; an employer of choice, having competent and creative employees; a true international well service company providing world class customer service; the safest and most efficient provider of well services within our product lines, meeting the highest quality standards; and a preferred partner for our internal and strategic external clients.

OWS is a highly differentiated service provider with an in-house engineering department to do design of new products alongside support ongoing operation. OWS has a strong technology focus and a diversified portfolio of proprietary tools and equipment capable of operating in all major oil & gas regions worldwide, including harsh and ultra-deep-water environments.

OWS continually monitors and strengthens customer relationships, and track developments, ensuring that it proactively pursues any new potential opportunities. A high level of innovation and technology development will be crucial to support both existing business activities and entry into new areas. Well Services is already a technology leader in the field of remote-operated equipment that is designed to enhance both safety and efficiency.

KEY FIGURES (USD million)



Quality, Health, Safety & Environment

Odfjell Drilling has an overall zero fault philosophy related to incidents and failures. This concept also includes prevention of pollution of the environment.

The company works continually to maintain the highest safety standard and protect the health of our employees and other associated with our operations. Safety is a cornerstone in Odfjell Drilling and Safety Conscious one of our five Core Values.

Leadership, good risk understanding and continuous focus on safety are essential. The systematic work of improving HSE never ends and we are working purposefully and relentlessly to maintain a high HSE within all our activities. A safe operation is also an efficient one, and it is important and necessary to work with safety as an integrated part of our operations.

Operations are conducted according to sound and environmental principles and in a manner to minimize any adverse environmental impact.

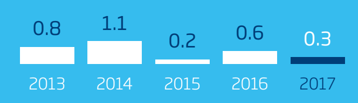
In 2017 Odfjell Drilling has managed to maintain a high level of safety within all our activities. The H1, TRIF and dropped object parameters have remained on a steady low frequency. New continuous improvement measures are initiated through the Safety Step-Up initiatives in all business areas.

Odfjell Drilling is certified to ISO 9001 and ISO 14001, and the Quality and HSE policy along with the Company Management System, defines requirements and expectations in order to operate in a quality manner.

Odfjell Drilling will continue in 2018 to focus on Quality and HSE including environmental performance and energy management in accordance with the company's environmental principles.

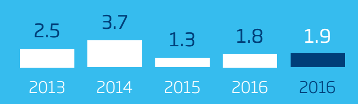
Lost Time Incident Frequency (H1)

As per 1 million working hours



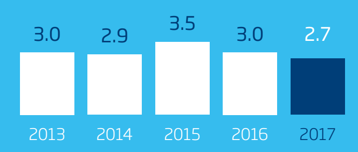
Total Recordable Incident Frequency (H2)

As per 1 million working hours



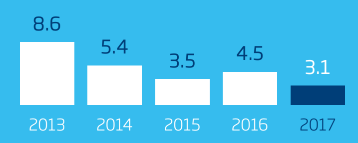
Sikness Absence

Percentage



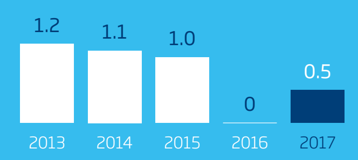
Dropped Objects Frequency < 40 joule

As per 1 million working hours



High potential incidents frequency

As per 1 million working hours



ODFJELL DRILLING

Digitalisation

to reinforce the position of Odfjell Drilling in the market

Through increased focus on digitalisation, Odfjell Drilling is seeking to improve competitiveness by cutting costs and increasing productivity.

"We at Odfjell Drilling have prepared a digitalisation strategy that lays out the guidelines for our approach to digitalisation and how we are to use digital technologies to reach our goals. Examples include solutions that allow us to drill wells more quickly and with fewer errors, and help us interact more efficiently with customers, partners and suppliers. We're also looking at ways to streamline our internal administrative processes," relates Per Lund, SVP for Innovation at Odfjell Drilling.

Operational data combined with digital technology

Mr. Lund explains that while focus areas will include support functions, operation and maintenance of rigs and equipment, the company is also keen to utilise potential for new business models that would ideally allow Odfjell Drilling to take on a broader scope of activity or implement new ways of generating remuneration from customers.
"The common denominator is that we will be using data derived from our operations to a much greater extent than previously, and combining these data with digital technologies such as advanced data analysis, machine learning, automation and robotisation. Data may stem from our administrative IT systems, ERP systems, from sensors on the rigs or from suppliers," adds Per Lund, who is also head of the "Well deliveries" working group in the KonKraft committee for "Increased competitiveness on the Norwegian continental shelf".

Work committee

KonKraft is an organisation "owned" by the sector, which defines the premises for development of the oil industry in Norway. When the industry is facing demanding challenges, a committee is often convened to advise industry players and the relevant authorities. The focus of this committee has conventionally been on the competitive situation of the Norwegian continental shelf, viewed from the perspective of increasing competition from other oil and gas regions and from other – renewable – sources of energy.

"The working group I chaired was made up of key individuals from various parts of the industry: operator companies, rig operators, drilling service companies and trades union, and we've been working together for about six months. It's been really interesting to take a closer look at the challenges and, in particular, the opportunities facing our sector. Working closely with people employed in other parts of the industry has also increased our understanding of the value Odfjell Drilling has to offer – especially with regard to how we can ramp up our contribution to reinforce operations on the Norwegian continental shelf even further. There can be no doubt that we have a key role to play, and that we are an important supplier to the Norwegian continental shelf," emphasises Mr. Lund.

Must acquire new competence

Odfjell Drilling is working on several digitalisation projects at the same time in different parts of the business, and Mr. Lund explains that in future it will be important to coordinate these projects to ensure that Odfjell Drilling as an organisation can learn efficiently from them:

"Traditionally, parts of the business have been strongly hardware-oriented, but in future we need to devote more time and attention to building up skills in software and data analysis. This will demand a new type of competence that we have to acquire. It is an aspect we bear in mind when recruiting new staff, but we must also work to cultivate this type of understanding in our existing employees," he adds.

Odfjell Drilling was one of the first companies to implement robotised solutions on drilling rigs, but Per Lund stresses that development moves so quickly in the field of digitalisation that it is essential to focus continuously on keeping up with what's happening in the area.

"We're not all that interested in actively developing the technology, but we want to keep a close eye on the development so that we can start using digital technologies progressively as they become commercially available for use in our operations. For example, we're involved in a number of exciting research and development projects associated with automated drilling control at the International Research Institute of Stavanger (IRIS)," he says.

Pilot projects

In order to increase the use of digital solutions, automation and robotisation, Mr. Lund believes the crux of the matter is transforming abstract concepts into practical solutions.

"At the same time as we have ambitious visions and strategies helping to keep us moving in the right direction in the long term, we need to execute smaller, practical use cases/pilot projects that generate short-term results. Use cases of this kind are important both in the context of proving to ourselves that this approach generates results, and in building up the experience and skills necessary to succeed in the long term," he adds.

Close working relationship with Aker BP

Another important factor for Odfjell Drilling is to work closely with customers and partners. Well deliveries are complex projects involving numerous players, where all kinds of decisions at every level of detail have to be taken by the operator company. Increased use of digital solutions, automation and robotisation largely has to do with integration, and this requires everyone involved in the well delivery to work closely together.

"It takes time and has, in many ways, become more demanding in recent years, given that contracts and projects are becoming smaller at the same time as we can now drill much faster. From this perspective, the new alliance with Aker BP is extremely exciting. I'm convinced that spending a long period working closely with Aker BP, which has wide-ranging ambitions in the field of digitalisation, will make it much easier for us to increase the pace of technology implementation," concludes Mr. Lund.

Corporate Governance

ANNUAL REPORT

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Corporate Governance

Odfjell Drilling Ltd. ("Odfjell Drilling" or the "Company") is incorporated in Bermuda and is subject to Bermuda law. The Company seeks to comply with the applicable legal framework for companies listed on Oslo Børs and endorses the Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board, most recently revised 30 October 2014 (the "Code"). This review is prepared in accordance with section 1 of the Code and any deviations from the recommendations set out in the Code are described in the following.

On 14 April 2015, the Board of Directors of the Company (the "Board of Directors" or the "Board") adopted the corporate governance policy described herein (the "Corporate Governance Policy") for and on behalf of the Company to reflect the Company's commitment to good corporate governance.

Through good governance of the business, the Company intends to create profitability and increased shareholder value. This Corporate Governance Policy contains the measures that are, and will be, implemented to ensure effective management and control over the Company's activities. The primary objective is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate incentives, which contribute to increasing and maximising the Company's financial results, long-term success and returns to shareholders on their investments in the Company. The Company aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust and positive development of values.

A description of the most important corporate governance principles of the Company, as well as its core values, is also made available on www.odfjelldrilling.com.

THE COMPANY'S BUSINESS ACTIVITIES

In accordance with common practice for Bermuda incorporated companies, the Company's objects as set out in its memorandum of association are wider and more extensive than recommended by the Code. Accordingly, this represents a deviation from section 2 of the Code. However, the Company's and its subsidiaries' (collectively, the "Odfjell Drilling Group" or the "Group") objectives and strategy are further described in the following:
"The Odfjell Drilling Group is a Bermuda based drilling contractor with more than 40 years of operational experience on the harsh environment Norwegian Continental Shelf (NCS), which has gradually expanded internationally by offering a state-of-the-art fleet of mobile offshore drilling units to the harsh environment and ultra-deepwater markets along with prudent engineering services, well services and platform operations.

Odfjell Drilling Group's vision is to become a leading supplier of drilling units and drilling services designed to the highest environmental and safety standards in the offshore oil and gas industry, mainly for the ultra-deepwater and for the harsh environment markets. The Odfjell Drilling Group has a zero fault philosophy and shall be the trusted and leading partner for its blue chip customers.

By utilising its substantial 40-year track record of experience from operations in harsh environment and deepwater areas and its ability to implement best practices based on experience and lessons learned, the Odfjell Drilling Group shall become a preferred partner for drilling operations, engineering projects and well services in its selected business regions."

EQUITY AND DIVIDENDS

The Company had book equity of USD 767 million and a book equity ratio of 36 % as of 31 December 2017. The Company regards the Group's present capital structure as appropriate and tailored to its objectives, strategy and risk profile.

The Company's long-term objective is to make distributions of net income in the form of dividends, and the Company targets a long-term annual pay-out representing 30-40% of its net profit on a consolidated basis. The payment of any dividends will depend on a number of factors, including the market outlook, contract backlog, cash flow generation, capital expenditure plans and funding requirements whilst maintaining adequate financial flexibility, as well as restrictions on the payment of dividends under Bermuda law and financial covenants, along with other factors the Board may consider relevant.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised but unissued shares of the Company on such terms and conditions as it may decide, and any shares or class of shares may be issued with preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise as the Company may, by resolution of the shareholders, prescribe. Accordingly, this represents a deviation from section 3 of the Code. However, such issuance of shares by the Company from the authorised, but unissued, share capital is subject to prior approval given by resolution of the general meeting of shareholders. Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board also has the power to authorise the Company's purchase of its own shares, whether for cancellation or acquiring as treasury shares and the power to declare dividends. These powers are neither limited to specific purposes nor to a specified period as recommended in the Code.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY-RELATED PARTIES

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of not insignificant transactions between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or closely-related parties of any such parties, the Board of Directors shall arrange for a valuation to be obtained from an independent third party. An independent valuation shall also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

Members of the Board of Directors and employees must notify the Board of Directors if they have a significant, direct or indirect, interest in a transaction carried out by the Company.

Any transactions the Company carries out in its own shares shall be carried out either through Oslo Børs or at prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

The Company does not deviate from section 4 of the Code.

FREELY NEGOTIABLE SHARES

The Company's constituting documents do not impose any transfer restrictions on the Company's common shares and the Company's common shares are freely transferable in Norway, provided, however that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares or votes being effectively connected to a Norwegian business activity. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules. This represents a deviation from section 5 of the Code, but the Company does not foresee that this provision will impact on the free transferability of its shares.

GENERAL MEETINGS

The Board of Directors will ensure that the greatest possible number of shareholders can exercise their voting rights in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

Among other things, the Board of Directors will ensure that:
- the notice and the supporting documents and information on the resolutions to be considered at the general meeting are available on the Company's website no later than 21 days before the general meeting is held;
- the resolutions and supporting documentation, if any, are detailed enough to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- the registration deadline, if any, for shareholders to participate at the general meeting is set as closely as practically possible to the date of the general meeting and pursuant to the provisions in the Bye-laws;
- the Board of Directors and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board of Directors and committees, if applicable;
- the members of the Board of Directors and the auditor must attend the general meeting; and
- there are routines to ensure the independent chairing of the general meeting. The Chairman of the Board of Directors will, in principle, chair the Company's general meetings. This is mainly due to the fact that the Bye-laws of the Company provides, as is common under Bermuda law, that the Chairman of the Board shall, as a general rule, chair the general meetings. Accordingly, in this respect the Company deviates from section 6 of the Code.

Shareholders who cannot be present at the general meeting will be given the opportunity to vote using proxies.
The Company will in this respect:
- provide information about the procedure for attending via proxy;
- nominate a person who will be available to vote on behalf of a shareholder as their proxy; and
- prepare a proxy form which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Other than as mentioned above, the Company does not deviate from section 6 of the Code.

NOMINATION COMMITTEE

The Board of Directors is of the opinion that a nomination committee is deemed superfluous with the current shareholder structure. The Annual General Meeting resolved the dissolution of the Nomination Committee on 18 June 2015. This represents a deviation from section 7 of the Code.

Corporate Governance

THE BOARD OF DIRECTORS - COMPOSITION AND INDEPENDENCE

The composition of the Board of Directors shall ensure that it can act independently of any special interests. A majority of the shareholder-elected members of the Board of Directors must be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board of Directors must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that owns 10% or more of the Company's common shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The chairman of the Board of Directors shall be elected by the general meeting so long as the applicable laws do not require that the chairman must be appointed by the Board of Directors.

The term of office for members of the Board of Directors shall not be longer than two years at a time.

As of 31 December 2017, the Board of Directors consisted of five members, possessing the relevant expertise, capacity and diversity as set out in the Code. The Board can act independently of the executive management of the Company and exercise proper supervision of the management of the Company and its operations. All of the members of the Board of Directors have participated in each of the board meetings held in 2017. All of the members of the Board of Directors are independent of the management and material business connections of the Company. Further, all of the members of the Board of Directors (except for Helene Odfjell) are independent of the main shareholders of the Company.

The Company does not deviate from section 8 of the Code.

THE WORK OF THE BOARD OF DIRECTORS

The Board seeks to schedule in advance physical meetings seven to nine times per calendar year, depending on the level of activity of the Company. Interim meetings may be convened if a Director so requires.

The Board meetings are chaired by the Chairman unless otherwise agreed by a majority of the Directors attending. If the Chairman is not present, the Directors shall elect among themselves a Chair for the Board meeting.

The Board of Directors issues instructions for its own work, as well as for the executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties. The Board of Directors works under an annual plan with particular emphasis on objectives, strategy and implementation, with tasks including, amongst others:

- identifying and establishing the Company's overriding goals, objectives and strategies, including approval and endorsement of plans and budgets;
- determining policies, monitoring and supervising the day-to-day management of the Company and the busi¬ness carried out by the Company;
- ensuring that the business of the Company, the accounts and the management of the assets of the Company are subject to adequate supervision and are conducted in accordance with applicable legislation;
- monitoring and reviewing the annual and interim financial reporting, assessing the performance of internal control and external auditors and overseeing legal and regulatory compliance;
- taking decisions, endorsing decisions or authorising decisions to be taken, as appropriate, in matters that are of an unusual nature or of importance to the Company;
- assessing the effectiveness of the Company's policies on ethics, conflicts of interest and compliance with competition law; approving various decision guidelines for the Board and any other such manuals as the Board rom time to time may adopt.

The Board has established an Audit Committee whose duties include supervising and reviewing the Company's annual and interim financial reporting. This committee consists of two Board members. The Company has not established a Remuneration Committee, but it should in this respect be noted that no member of the executive management is represented at the Board of Directors and all of the members of the Board of Directors are independent of the management of the Company. Accordingly, the Board of Directors has not considered such committee to be necessary.

The Board of Directors annually evaluates its performance and expertise.

The Company does not deviate from section 9 of the Code.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility to secure appropriate risk management systems and internal controls.

The Company has comprehensive relevant corporate manuals and procedures, which provide detailed descriptions of procedures for all aspects of managing the operational business. The procedures and manuals are continuously revised to incorporate best practice derived from experience or adopted through regulations.

Routines have been established to secure frequent and relevant management reporting on operational matters, in order to ensure adequate information for decision-making and to respond quickly to changing conditions and requirements.

Similarly, the Board receives frequent and relevant reports on financial matters, and management reports covering both operational and financial matters are pro¬vided to the Board on a monthly basis. This ensures that the Board is continuously updated on both the capital and liquidity situation and the scope of the activities, and able to immediately take any action deemed necessary.

The Board also recognises the responsibilities with regards to the Company's values and guidelines for ethics and corporate responsibilities. The core values reflect the Company's focus on commitment, safety conscious¬ness, creativity, competency and result orientation, and guidelines for the behaviour of Company representatives are described in detail in the Company's Code of Business Conduct. The core values and Code of Business Conduct are available on www.odfjelldrilling.com.

The Company does not deviate from section 10 of the Code.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board is to be decided by the shareholders at the annual general meeting of the Company. The level of compensation to the members of the Board shall reflect the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees. The remuneration shall not be linked to the Company's performance. The Company shall not grant share options to members of the Board of Directors.

None of the members of the Board of Directors and/or companies with whom the members are associated have taken on specific assignments for the Group in addition to their appointments as members of the Board of Directors with the exception of management and accounting services agreements between Pin High Limited (controlled by Kirk Davis) and Odfjell Drilling Services Ltd., and Odfjell Rig Owning Ltd., respectively, under which Pin High Limited performs certain management and account services for Odfjell Drilling Services Ltd., and Odfjell Rig Owning Ltd. The annual fee for the services provided under each agreement is USD 20,000.

The remuneration to the members of the Board of Directors will be specifically identified in the annual report.

Except for the above mentioned agreements with Pin High Limited, the Group does not deviate from section 11 of the Code.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors shall prepare guidelines for the remuneration of the executive personnel of the Company. These guidelines shall be communicated to the annual general meeting. Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like shall be linked to value creation for the shareholders or the Company's earnings performance over time.

The remuneration of the Company's Chief Executive Officer and Chief Financial Officer will be specifically identified in the annual report.

The Company does not deviate from section 12 of the Code other than the provisions of the Code that are of a Norwegian company law specific nature.

INFORMATION AND COMMUNICATION

The Company has established guidelines for reporting to the market, and is committed to provide timely and precise information to its shareholders, Oslo Børs and the financial markets in general (through Oslo Børs' information system). Such information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed most suitable. The Company will attempt to clarify its long-term potential, including strategies, value drivers and risk factors. The Company will maintain an open and proactive policy for investor relations.

The Company is publishing an annual, electronic finance calendar with an overview of the dates of important events such as the annual general meeting, publishing of interim reports, open presentations and payment of dividends.

Unless exceptions apply and are invoked, the Company will disclose all inside information. In all circumstances, the Company will provide information about certain events, e.g. by the Board of Directors and general meeting(s) concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by the Company and related parties.

The Company shall have procedures for establishing discussions with important shareholders to enable the Board of Directors to develop a balanced understanding of the circumstances and focus of such shareholders. However, such discussions must be done in compliance with the provisions of applicable laws and regulations.

Information to the Company's shareholders is posted on the Company's website at the same time that it is sent to the shareholders.

The Company does not deviate from section 13 of the Code.

TAKE-OVERS

The Company has established key principles for how to act in the event of a take-over offer. In the event of a take-over process, the Board of Directors will ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board of Directors will abide by the principles of the Code, and also ensure that the following take place:

- the Board of Directors shall ensure that the offer is made to all shareholders, and on the same terms;
- the Board of Directors shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board of Directors shall strive to be completely open about the take-over situation;
- the Board of Directors shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board of Directors must be aware of the particular duty the Board of Directors carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board of Directors shall not attempt to prevent or impede the take-over bid unless this has been decided by the general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's common shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the general meeting in accordance with applicable law.

If an offer is made for the Company's common shares, the Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether or not the shareholders should accept the offer. If the Board of Directors finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. In the statement, the Board of Directors should make it clear whether the views expressed are unanimous, and if this is not the case, explain the reasons why specific members of the Board of Directors have excluded themselves from the statement.

The Board of Directors shall consider whether to arrange a valuation from an independent expert. If any member of the Board of Directors, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board of Directors, is either the bidder or has a particular personal interest in the bid, the Board of Directors shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined herein). Any such valuation should either be enclosed with the Board of Directors' statement, or reproduced or referred to in the statement.

The Company does not deviate from section 14 of the Code.

AUDITOR

The Company's auditor is elected by the shareholders at the general meeting and the shareholders shall authorise the Board of Directors or the audit committee to fix the auditor's remuneration.

The auditor will annually submit the main features of the plan for the audit of the Company to the Board of Directors, or, if relevant, the audit committee.

The auditor will participate in meeting(s) of the Board of Directors that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive personnel of the Company and/or the audit committee.

The auditor will at least once a year present to the Board of Directors, or the audit committee, a review of the Company's internal control procedures, including identified weaknesses and proposed improvements.

The Board of Directors will hold a meeting with the auditor at least once a year at which no representative of the executive personnel of the Company is present.

The Board of Directors will specify the right of the executive personnel to use the auditor for purposes other than auditing.

The Board of Directors will inform the shareholders at the annual general meeting of the remuneration paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments.

The Company does not deviate from section 15 of the Code.

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Corporate Social Responsibility Report

Corporate Social Responsibility Report

Health and safety
Odfjell Drilling shall maintain the highest safety standard and protect the health of our employees and others associated with our operations.

Environment and sustainable development
Respect for the environment is fundamental to assuring a sustainable future. Odfjell Drilling aims to minimize harmful effects whenever we can and will work through a continuous improvement process.

Integrity and anti-corruption
Odfjell Drilling shall maintain high standards of integrity and conduct our operations with honesty, fairness and transparency. Corruption or bribery is not tolerated in our business or with our business partners.

Diversity and labour standards
Odfjell Drilling will not discriminate on the basis of gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion. Odfjell Drilling will not use any form of forced labour or child labour. The Group will maintain the freedom of association and the right to collective bargaining.

The Group shall comply with internationally recognised labour standards covering the following areas: wages, working hours, disciplinary practices, employment contracts and working conditions. The same applies for any suppliers, business partners or agents working with Odfjell Drilling.

Respecting human rights and contribution to local communities
Odfjell Drilling's commitment to respecting human rights wherever we operate is embodied in our Corporate Management System and our Code of Business Conduct. We believe that Odfjell Drilling has a responsibility to respect human rights and that we are able to play a positive role in the communities we operate. Our global operations are consistent with the spirit and intent of the United Nations Universal Declaration of Human Rights; the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, where applicable to our business; and other applicable international principles.

Odfjell Drilling aims to play a part in the progress and development of local communities through focusing on local content by developing skills and opportunities in the communities which we operate.

Our Corporate Social Responsibility principles are sought to be promoted by:

a) Communicating and monitoring our principles within our organization and in our operations.
The Corporate Social Responsibility Policy was adopted on December 1st 2013, and has since been implemented in our Corporate Management System.

Our Code of Business Conduct is also implemented in our Company Management System and is the main reference document in the ethics domain. All new employees receive a copy of the Code of Business Conduct, and a mandatory e-learning course has been established and is under continuous revision.

Furthermore, ethics and business conduct has been an important issue on the agenda of all Leadership Training and Business Management courses for the last decade covering several hundred people over the last years.

Overall, Odfjell Drilling is working continuously on raising awareness of our values.

The Odfjell Drilling group is certified to ISO-14001 Environment Management.

Operations are conducted according to sound and environmental principles and in a manner to minimize any adverse environmental impact.

Corporate Risk Committee meetings are held to ensure satisfactory risk analysis on new material projects and/ or countries, including integrity checks on agents and contractual partners.

b) Assessing the social and environmental impact of our operations and being attentive to any internal or external reports indicating that our principles have not been respected.
Environmental principles supporting the HSE Policy are defined and communicated.

c) Designating persons within our organization with a special responsibility for promoting and monitoring our principles.
In order to ensure that our principles are being promoted and adhered to, Odfjell Drilling has designated persons throughout our organization with responsibility to promote and monitor the principles. This has been done both with regards to HR, QHSE, legal and finance issues.

Odfjell Drilling also has a Compliance Officer and a Case handling portal to handle questions or reports related to board positions, closely related parties, facilitation payment or notification of infringement.

d) Looking to contribute to organizations that are making remarkable efforts to promote the principles in the communities we operate.
As an overall assessment of Odfjell Drilling's CSR related work in 2017, our CSR focus have been maintained and we will continue our contribution in the area of Corporate Social Responsibility in 2018 though specific actions and monitoring development.

The Board of Directors

Carl-Erik Haavaldsen
Chairman of the Board of Directors

Carl-Erik Haavaldsen holds a Master of Business Administration from Norwegian School of Economics (NHH) and a Master of Business Administration from UCLA (University of California, Los Angeles). Mr. Haavaldsen has held executive positions in companies within the commercial banking, investment banking and shipping industries. He has served as CEO for an Oslo securities firm as well as for a tanker shipping company previously listed on the Oslo Stock Exchange. Mr. Haavaldsen has further extensive experience from previous and current board positions and is an experienced business advisor. He also currently serves as investment advisor for Benor Tanker Ltd and Cenor Ltd, two investment companies.

Helene Odfjell
Director

Helene Odfjell holds a Master of Business Administration from Norwegian School of Economics (NHH), a Master of Business Administration from London Business School and is a Chartered Financial Analyst. Mrs. Odfjell has many years of experience in business and management and holds many board positions in the affiliates of the Company.

Bengt Lie Hansen
Director

Bengt Lie Hansen has a Master of Business Administration from the Norwegian School of Economics (NHH) and a Master of Law from the University in Oslo (UiO). Mr. Lie Hansen has 43 years of experience in the oil, gas and offshore industry. He has been head of division in the Ministry of Petroleum and Energy, Vice President of Deminex Norway, Senior Vice President of Norsk Hydro, in charge of Finance, Commercial, Natural Gas and the Ormen Lange project. He has also served as President of Statoil Russia. He is currently chairman of BLH Energy Consulting.

Henry H. Hamilton III
Director

Henry H. Hamilton III is currently Chairman of TGS Geophysical company ASA (TGS). He served as CEO of TGS from 1995 to June 2009. Mr. Hamilton began his career as a geophysicist with Shell Offshore (1981 – 1987) before he moved to Schlumberger (1987 – 1995), where he ultimately held the position of Vice President and General Manager for all seismic product lines in North and South America. He joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International that led to the initial public listing for TGS. He was first elected as a Director of TGS in 1998 and its Chairman in 2009. He served as a director of Odfjell Offshore Ltd., a subsidiary of the Company, from April 2011 to September 2011.

Kirk L. Davis
Director

Kirk L. Davis has a degree in accounting from Mt. Allison University, and is a Chartered Accountant of Bermuda and a Chartered Professional Accountant of Ontario. He is currently the President and a Director of Pin High Limited, a company providing private client financial services. Mr. Davis has extensive experience from previous and current board positions.

The Board of Directors Report

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The Board of Directors Report

Odfjell Drilling Ltd., ("Odfjell Drilling", the "Company" or the "Group") is an integrated offshore drilling and oil service company with 45 years' experience owning and operating a fleet of high quality harsh and ultra-deepwater mobile offshore drilling units and in addition has significant activity in platform drilling, engineering and well services. The Company was listed on the Oslo Stock Exchange in 2013 and had 2,200 people employed at the end of 2017. Odfjell Drilling is present in several regions worldwide, supporting a client base primarily consisting of major oil and gas companies. The Odfjell Drilling Group generated revenues of USD 662 million and a net profit of USD 35 million in 2017.

GROUP STRUCTURE

Odfjell Drilling Ltd., is the parent company of the Odfjell Drilling Group.

The Company was incorporated in Hamilton, Bermuda in November 2005. The operating entities within the Group are based in Norway, the UK, the Netherlands, Brazil, UAE, Romania, Singapore, Thailand, Vietnam, Saudi Arabia and the Philippines.

Odfjell Drilling has organised its activities into three business segments:

- Mobile Offshore Drilling Units (MODU)
- Drilling & Technology (D&T)
- Well Services (OWS)

IMPORTANT DEVELOPMENTS IN 2017

In recent years Odfjell Drilling has been responsible for building and mobilising five modern high quality drilling units. The latest addition to the Company's fleet of mobile drilling units, Deepsea Aberdeen, was delivered from the yard in November 2014 and started drilling operations for BP West of Shetland on 21 April 2015.

In 2017 we have started to see some signs of recovery for our industry and believe that we have reached the bottom of the deep downturn in our industry - though it is expected to take another year or two before a real upturn in the market. In 2017, although most of our activities are still being affected by this strong downturn, we have managed to grow the company with a number of new contracts and have improved our results. Following three years of adapting to a reduced demand for our services, we have been able to focus on growth again.

A series of measures to reduce our cost base and improve competitiveness have been implemented over the last 3 to 4 years and these cost awareness programs will continue together with new initiatives preparing for growth. In 2017 we introduced a new programme (EDGE) to facilitate growth by adopting a systematic approach from analysis and planning through delivery.

In 2017, we achieved some remarkable operating results – having been awarded a number of contracts within all of our business areas with a total value of nearly USD 500 million. These contracts have secured high and continued activity for the Company through 2018 and further into 2019. The order backlog within MODU and Platform Drilling by year end is approximately USD 2.6 billion.

We have increased our staff from around 1,700 to approx. 2,200 this year, all due to new contracts.

We have seen improvements in most areas this year. Well Services are still exposed to fierce competition and pressure on rates, but have managed to keep up a good margin due to more cost-effective operations. In the second half of 2017, OWS was awarded a number of important contracts which will increase activity during 2018 indicating we may well have reached a turning point.

Platform drilling has improved its results in 2017 and has entered into two new contracts that will secure even more work in the future. We are further encouraged that the number of platform contracts increased from 10 to 15 during 2017.

In MODU, all the units have delivered efficient operations beyond expectations. Deepsea Atlantic and Deepsea Stavanger have drilled on the Johan Sverdrup field for Statoil and Maria field for Wintershall respectively with completion at around 50 % of budgeted time.

Deepsea Stavanger has entered into three new contracts with Aker BP and Total that will secure employment through to 2020. Deepsea Bergen was awarded three new contracts in 2017 that have therefore secured work through 2018 and further into 2019.

GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis of the going concern assumption and the Directors have confirmed that this was realistic at the time the accounts were approved.

When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log. The volatility in market capitalisation for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

Taking all relevant risk factors into consideration, the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

CONSOLIDATED ACCOUNTS

(Comparable figures in brackets)

INCOME STATEMENT

Odfjell Drilling generated operating income of USD 662 million in 2017, an increase of 1 % (USD 657 million).

The operating profit (EBIT) amounted to USD 112 million (USD 34 million). EBIT in 2016 include an impairment write-down of mobile drilling units totalling USD 80 million.

Net financial expenses amounted to USD 76 million (USD 73 million). The increase in net financial expenses is mainly explained by increased interest expenses.

The pre-tax profit amounted to USD 37 million (loss of USD 39 million).

The income tax expense amounted to USD 1 million (USD 25 million) and the net profit for the Group was USD 35 million (loss of USD 64 million). The decreased tax expense was mainly due to lower taxable profits in Norway and UK, which was caused mainly by a tax loss in Norway related to a sale of shares.

Total comprehensive income was USD 45 million (loss of USD 69 million).

BALANCE SHEET

Consolidated total assets as at 31 December 2017 amounted to USD 2,138 million (USD 2,264 million).

Total non-current assets amounted to USD 1,819 million (USD 1,957 million), with the decrease mainly resulting from the depreciation of fixed assets and the sale of investments.

Current assets amounted to USD 319 million (USD 307 million), of which USD 166 million was cash and cash equivalents (USD 182 million).

Total equity amounted to USD 767 million (USD 722 million), with an equity ratio of 36 % (32 %).

Total liabilities amounted to USD 1,371 million (USD 1,542 million), reflecting a decrease of interest-bearing debt of USD 179 million. Net interest bearing debt amounted to USD 1,068 million (USD 1,231 million).

CASH FLOW

Cash flow from operating activities amounted to USD 166 million in 2017 (USD 199 million). The difference in 2017 is mainly explained by depreciation and amortization plus interest paid and payment of income taxes.

The cash outflow from investing activities amounted to USD 1 million (USD 22 million). The investments in 2017 are mainly related to the three 6th generation mobile drilling units, offset by proceeds from the sale of financial investments.

The cash outflow from financing activities amounted to USD 184 million (USD 194 million). The cash outflow in 2017 is explained by the paid instalments and refinancing fees.

CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other items which are outside the Group's control.

The Group has calculated the value in use of all mobile drilling units as at 31 December 2017, using financial models which calculate and determine the value in use through a combination of actual and expected cash-flow generation discounted to present value. In measuring value in use the Group has based its calculation on reasonable and supportable assumptions that represent management's best estimate for the range of economic conditions that will exist over the remaining useful life of the asset.

Analysis in Financial Statement note 16 demonstrates that the impairment assessment is sensitive to changes in key assumptions. Based on the value in use calculations, the Group has not identified any impairment for rigs, or reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger as at 31 December 2017.

Please refer to note 2 in the Financial Statements for further information about critical accounting estimates and judgements.

PARENT COMPANY ACCOUNTS

The business of the parent company, Odfjell Drilling Ltd., is as a holding company for investments in both wholly and partly owned subsidiaries and joint ventures.

The Board of Directors Report

The parent company reported a net profit of USD 15 million (loss of USD 168 million). The net profit for 2017 was mainly due to net interest income from the loans to subsidiaries. The net loss in 2016 was mainly affected by impairment write downs of the investment in the subsidiary Odfjell Offshore Ltd., partly offset by net interest income from the loans to subsidiaries and a dividend from the subsidiary Odfjell Rig Ltd.

Total assets in the parent company amounted to USD 1,095 million as at 31 December 2017 (USD 1,050 million). The increase was mainly due to a net increase in non-current receivables from subsidiaries.

Equity in the parent company amounted to USD 637 million (USD 622 million), corresponding to an equity ratio of 58 % (59 %).

Cash flow from operating activities was USD 15 million (USD 19 million). The cash flow in 2017 was mainly related to net interest received.

Cash outflow from investing activities was USD 45 million (USD 55 million). The cash outflow in 2017 is mainly explained by increased loans to group companies.

Cash flow from financing activities was USD 30 million (USD 36 million), this change being explained by net proceeds from loans from group companies.

ALLOCATION OF PROFITS

The Board of Directors proposed the following allocation of the year's profit of USD 14,945,248 in 2017 for the parent company Odfjell Drilling Ltd.:

Transferred to other equity: USD 14,945,248 Total allocated: USD 14,945,248

EQUITY AND SHARES

The Group had book equity of USD 767 million and a book equity ratio of 36 % as at 31 December 2017. The parent company has only one class of shares.

Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

The parent company's constituting documents do not impose any transfer restrictions on the company's common shares and the shares are freely transferable in Norway, except, however, that the bye-laws include a right for the board to decline to register a transfer of any share in the register of members, or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share where such transfer would result in 50 % or more of the shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares or votes being effectively connected to a Norwegian business activity. The purpose of this provision is to avoid the company being deemed a controlled foreign company pursuant to Norwegian tax rules. This represents a deviation from section 5 of the Code, but the Company does not foresee that this provision will impact on the free transferability of its shares.

The number of shares issued in Odfjell Drilling Ltd. is 198,736,900 as per 31 December 2017.

The company has not established any share purchase program for employees as per 31 December 2017.

The company is not aware of any shareholder agreements or any other agreements which limits trading of the company's shares or voting rights as per 31 December 2017.

SEGMENT REPORTING

Odfjell Drilling has organised its activities into three main business segments:

- Mobile Offshore Drilling Units (MODU)
- Drilling & Technology (D&T)
- Well Services (OWS)

MOBILE OFFSHORE DRILLING UNITS

The MODU segment is responsible for the operations of mobile drilling units fully or partly owned by the Company and units owned by other companies. The number of employed personnel within the MODU segment at year end was 946.

Since its foundation in 1973, Odfjell Drilling has been involved in the design and construction of more than 30 offshore drilling units and the operation of more than 50 fixed and mobile installations.

The Group operated mobile drilling units in Norway, UK, The Philippines and Vietnam during 2017.

Deepsea Bergen, built in 1983, was drilling for Statoil and Faroe Petroleum in the first half of 2017. In early fall the unit operated for Wellesley Petroleum before it was sailed to Averøy Industrial Estate for maintenance and preparations for the HPHT drilling program on the Hades/Iris project for OMV Norge that started 28 November. In 2017 the Rig was awarded three drilling contracts with Wellesley, OMV and Statoil. The Statoil contract is for 13 wells including four options of 3 wells each. The contract is scheduled to commence back-to-back with the completion of the OMV contract, in Q1, 2018. The contract value is up to USD 55 million (including the firm well and 3 priced options, with the last optional period being unpriced.). The first option was exercised in December.

Deepsea Atlantic, delivered in 2009, is a sixth generation ultra-deep-water and harsh environment semi-submersible rig. On 1 March 2016, the rig commenced its 3-year fixed drilling contract for Statoil on the Johan Sverdrup field in the North Sea. The contract also includes 6 x 6 months option periods. The drilling program on Johan Sverdrup came to an end on 27 November, some 15 months and more than 50 % ahead of schedule. The unit has now been transferred to other drilling activities for Statoil.

Deepsea Stavanger is a sixth generation ultra-deep-water and harsh environment semi-submersible rig delivered from the DSME yard in July 2010. Deepsea Stavanger started operations for Wintershall on the Maria field on 20 March 2017. While the firm part of the contract was expected to last for 574 days, Deepsea Stavanger drilled and completed the wells in 292 days. This resulted in production starting on the Maria field 10 months earlier than the original plan. Deepsea Stavanger was awarded three new drilling contracts in 2017 with Aker BP on the Norwegian Continental Shelf and with Total E&P offshore of South Africa. The contracts are back-to-back and will take the rig through to 2020.

Deepsea Aberdeen is a sixth generation sister rig to Deepsea Atlantic and Deepsea Stavanger, built to the enhanced GVA7500 harsh environment design. The rig commenced a seven-year contract with BP, plus three years of options, in the West of Shetland UK sector on 21 April 2015. The unit has performed effective drilling operations in a very harsh environment, with much less 'waiting on weather' breaks than any other unit in the area. In May, a second BOP was installed allowing for further increased flexibility to drill wells both in deep-water and shallow water.

Managed Drilling units

Odfjell Drilling offers management services for owners of semi-submersibles, drillships and jack-up drilling units worldwide. The services include project management and follow-up during the construction phase, management of regulatory requirements, marketing and client relations, preparations for operation and operations.

Odfjell Drilling is currently manager for the semi-submersible rig Island Innovator and the drillship Deepsea Metro I. The drillship Deepsea Metro II was sold in 2017 with our management then coming to an end.

Island Innovator was delivered from the yard in 2012. Odfjell Drilling is responsible for the operations, manning, quality systems and technical performance of the rig.

Island Innovator was hot-stacked for some periods in 2017, during which time it was upgraded and recertified. The unit performed drilling for Lundin and Aker BP in March and April. In August/September the unit drilled one well for OMV Norge on the Wisting field in the Barents Sea and in September another drilling contract was announced with Centrica Norway (now Spirit Energy) for one well plus two optional wells on the Fogelberg license in the North Sea. The contract commenced 1 February 2018 and the first option has been exercised. A Letter of award with DEA Norway for one well in the Barents Sea was announced in February 2018.

Deepsea Metro I is an ultra-deepwater drillship delivered from Hyundai Heavy Industries in South-Korea in June 2011. After finishing the drilling program with VietGazprom in Vietnam in January 2017, the drillship was hot-stacked in South East Asia. The unit drilled one well for Nido Petroleum in Philippine waters in April and started on a new contract with Repsol/Talisman Vietnam in June. The contract came to an end in late July due to a territorial dispute between China and Vietnam. The unit is now hot-stacked in South East Asia, tendering for new work.

Deepsea Metro II was stacked in Norway with manning from the Group until it was sold in November 2017.

Operating revenue for the MODU segment was USD 481 million (USD 438 million), an increase of USD 43 million, or 10%. This change is explained by the increase in utilization for the fleet, as Deepsea Atlantic has been operating on the Johan Sverdrup field for Statoil and Deepsea Stavanger commenced the Maria contract for Wintershall Norway on 20 March 2017. In 2016, Deepsea Atlantic was idle during parts of the 1st half of the year and Deepsea Stavanger was idle for large parts of the year. The increase in revenue and utilization was partly offset by lower revenues and lower utilization for Deepsea Bergen.

EBITDA for the MODU segment was USD 244 million (USD 226 million), an increase of USD 18 million, or 8%. The increase in EBITDA relates mainly to the change in revenue as explained above.

EBIT for the MODU segment was USD 111 million (USD 10 million), an increase of USD 101 million. The increase in EBIT relates to the impairment write-down of USD 80 million in 2016, in addition to the change in revenue as explained above.

DRILLING & TECHNOLOGY

The D&T business segment is responsible for platform drilling, project management and engineering services. This business unit is a leading company in platform drilling in the North Sea region and has, throughout the year, been responsible for integrated drilling services on up to 15 fixed production and drilling platforms off the coast of Norway and the UK.

D&T provides production drilling, completion, work-overs, slot recovery, plugging and abandonment, maintenance and modification. The business segment is also providing engineering services towards mobile drilling units, fixed platforms, core business support services and project management. D&T operates from offices in Bergen, Stavanger and Aberdeen. The business segment offers its services to both internal and external clients.

In 2017 Odfjell Drilling provided platform drilling services to Statoil and Wintershall in Norway and to BP, TAQA Bratani and EnQuest in the UK.

In June 2017 Odfjell Drilling (UK) Ltd was awarded a 2-year fixed contract with no limit of 1-year options from TAQA Bratani for drilling and maintenance services on five platforms on the UK continental shelf. In October the company was awarded a platform drilling contract with EnQuest for production drilling on the Magnus Platform in the UK. Both drilling contracts commenced in the fall of 2017. The drilling campaign for Wintershall on Brage started in May 2017. These contracts will continue into 2018, and together with drilling starts on three new installations; the Clair Ridge for BP in UK, the Mariner field for Statoil in the UK and the Johan Sverdrup for Statoil in Norway, this will increase the activities going forward.

In 2017 the Norway unit has delivered project management and engineering services to several mobile and fixed drilling units including supervision and engineering services related to the mobilization of drilling units for new contracts. One of the main projects from 2016, Johan Sverdrup, has continued into 2017 and together with the provision of fully integrated services to the MODU fleet, contributed to avoid further redundancies within the engineering units.

The new business area, "Rig Inspection Services", which started back in 2015, has grown during the year to become a considerable provider of inspection and installation services.

As per 31 December 2017 the number of employees in this segment was 755 people - an increase of 310 employees since last year.

Operating revenue for D&T was USD 105 million (USD 131 million), a decrease of USD 26 million or 20 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services for the year in total.

EBITDA for the D&T was USD 15 million (USD 0 million), an increase of USD 15 million. EBIT for the D&T was USD 14 million (negative USD 4 million), a positive increase of USD 18 million. The improvement in EBITDA and EBIT is mainly explained by increased operating margins on the platform drilling portfolio and the gain from sale of the shares in Robotic Drilling Systems AS.

WELL SERVICES

The business segment OWS is an established market leading provider of casing and tubular running services ("TRS"), drill tool rental and well intervention services to the onshore and offshore oil & gas industry, with an operational history spanning over more than 40 years. OWS has a strong international presence and at 31 December 2017, employed 457 people across 11 bases in 10 countries - conducting operations in approximately 20 countries. Services are provided to onshore and offshore drilling operations in the North Sea (Norway, UK, Denmark and the Netherlands), mainland Europe, Black Sea, Middle East, South East Asia and Africa.

The business area aims at continued growth through expanding into new service areas as well as geographical expansion.

In 2017 OWS did not deliver results as expected. The competition in the market led to major price pressure which, when combined with postponed activities and the late startup of some contracts, made it difficult to meet expectations. However, during the second half of 2017 the tender activity increased and OWS was awarded several important contracts that secured more work in 2018 and beyond. In the Netherlands, OWS signed a two year contract with Deutsche Erdoel AG (DEA) for Casing, Tubular Running and Pulling Services for both on and offshore rigs. In Norway, OWS signed a 4-year contract with ConocoPhillips for Casing, Tubular Running and Pulling Services on the Greater Ekofisk Area.

OWS is a highly differentiated service provider with an in-house engineering department that designs new products in addition to supporting ongoing operations. OWS have a strong technology focus and a diversified portfolio of proprietary tools and equipment capable of operating in all major oil & gas regions worldwide, including harsh and ultra-deepwater environments.

OWS continually monitors and strengthens customer relationships, as well as proactively tracking future developments, ensuring that it can quickly pursue any new potential opportunities. A high level of innovation and technology development will be crucial to support both existing business activities and entry into new areas. Well Services is already a technology leader in the field of remote-operated equipment that is designed to enhance both safety and efficiency.

Operating revenue for the OWS segment was USD 97 million (USD 110 million), a decrease of USD 13 million, or 12 %. The decrease in 2017 revenue is mainly explained by lower activity and price level.

EBITDA for the OWS segment was USD 32 million (USD 43 million), a decrease of USD 11 million, or 26%. EBITDA margin for the OWS segment was 33% compared to 39% in 2016. EBIT for the OWS segment was USD 4 million (USD 11 million), a decrease of USD 7 million. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenue.

ORGANISATION, HEALTH, SAFETY AND ENVIRONMENT

The Group's operational activities are carried out in Norway, the UK, the Netherlands, UAE, Romania, Singapore, Vietnam, Thailand, Saudi Arabia and the Philippines. Odfjell Drilling's vision is to become a preferred drilling and service provider chosen for experience and expertise, aiming for leadership in QHSE, operational efficiency, technological achievements and profitable growth. Odfjell Drilling employed a total of 2,200 employees at the end of 2017.

WORKING ENVIRONMENT AND PERSONNEL

The working environment in Odfjell Drilling is considered to be good. Sustaining a healthy working environment is seen as an important measure to achieve continuous improvements in all aspects of the Group's operations. The Group has conducted periodic working environment and organisational surveys since 2005. These surveys provide the Group with valuable information about the working condition in the organisation and are important tools for promoting and developing a good working environment. The job satisfaction is considered to be very good and the average score shows a factor of 4.5 to 5 on a scale of 0 to 6.

Odfjell Drilling had a personnel turnover of 4.0 % in 2017, a small increase compared to the previous years when turnover was very low due to the general market situation for the industry. Persons laid off by the Company due to reduced activity are not included in these figures.

Measures are being taken to maintain a low sick absence rate. At group level, the sickness absence rate was reported at 2.7 % (98,529 hours), compared to 3.1 % in 2016 (108,901 hours).

Odfjell Drilling is a competence intensive company that is dependent on a high level of expertise and technological know-how amongst its employees. The Group offers extensive training to ensure that this expertise is continuously updated and to promote career development for individual employees. In 2017, total training days at Group level amounted to more than 7,700 days.

During 2017, Odfjell Drilling has continued to focus on training within the QHSE Safety Leadership Development programs and local courses in different regions. Due to financial constraints in 2017, training and competence development focused on meeting the requirements for safe operations and compliance with authority requirements. In 2018 the Group will continue its management development programs and establish new specific training programs through e-learning for securing critical competence and management development.

MEASURES TO PROMOTE EQUALITY AND PREVENT DISCRIMINATION

Odfjell Drilling emphasizes that all activities, irrespective of country of operation, shall comply with the applicable legislation and the Group's Code of Business Conduct. Its Personnel policy states that the Odfjell Drilling Group shall recruit and develop staff based on merit and equal opportunities, regardless of ethnicity, religion, national origin, gender, age, sexual orientation, marital status or disability.

Equality is an integral part of the Group's Personnel Policy that ensures that all employees are given the same opportunities for employment and pay, as well as professional development in terms of training and promotion. The Group works actively and systematically through internal Governing documents, employee training and various other measures to prevent any form of discrimination. Such measures include recruitment policies and practice, salary and working conditions, personal development opportunities, promotions and shelter against harassment.

Although it is emphasized that equality and non-discrimination are ultimately the management's responsibility, all parties in the enterprise have a responsibility for ensuring and safeguarding equality. All employees have access to the Group's governing documents through Odfjell Drilling's intranet, which includes information about the ethics and business culture in Odfjell Drilling, the Group's management system, managers' guide, employee handbook etc.

The governing documents also confirm the Group's commitment to freedom of association and the right to collective bargaining, which is continuously followed up in all activities. The Group complies with internationally recognized labour standards covering areas such as wages, working hours, disciplinary practices, employment contracts and working conditions. The above requirements are also enforced in contracts with suppliers, business partners, agents etc.

The Group employs people from a diverse range of ethnic backgrounds and 41 different nationalities. Odfjell Drilling's employees also have a wide age distribution, ranging from 17 to 67 years with an average age of approximately 42 years at Group level (and 43 years for Norwegian based companies only).

The Board of Directors Report

Of a total of direct employees of 2,211 at the end of 2017, there were 1,998 males (90 %) and 213 females (10 %) employees. In addition 177 people were temporary engaged in various projects and upcoming projects.

The onshore organization employs 23 % females compared with 2 % in the offshore organization. The Corporate Management Group consists of nine persons, of whom one is female. One of the five board members is female.

There are elected employee' representatives on the boards of five of the major management companies in the Group. The employees of these companies represent nearly 70 % of the total number of employees in the Group.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

Odfjell Drilling has an overall zero fault philosophy related to incidents and failures. This concept also includes prevention of pollution of the environment.

In 2017, the Company experienced 3 incidents with high potential ("HIPO"); one personal injury and two equipment damages. The injured person has returned to work.

The company works continuously to maintain the highest safety standard and protect the health of our employees and other associated with our operations. Safety is a cornerstone in Odfjell Drilling and Safety Consciousness is one of our five Core Values.

Leadership, good risk understanding and continuous focus on safety are essential. The systematic work of improving HSE never ends and we are working purposefully and relentlessly to maintain a high HSE within all our activities. A safe operation is also an efficient one, and it is important and necessary to work with safety as an integrated part of our operations.

Operations are conducted according to sound and environmental principles and in a manner to minimize any adverse environmental impact.

In 2017 Odfjell Drilling has focused on the following main QHSE topics:

- Standardisation and simplification
- Operational robustness
- Safety-leadership
- Dropped-object prevention
- Major accident prevention
- Strong security culture
- Environmental performance

In 2017 Odfjell Drilling managed to maintain a high level of safety within all our activities. The H1, TRIF and dropped object parameters have remained on a steady low frequency. New continuous improvement measures are initiated through the Safety Step-Up initiatives in all business areas.

The corporate main priorities in 2018 are:

- Standardization and simplification
- Management of risk and opportunities
- Organisational robustness
- Barrier Management
- Safety Leadership
- Dropped Object prevention
- High security awareness
- Energy Management

Odfjell Drilling is certified to ISO 9001 and ISO 14001, and the Quality and HSE policy along with the Company Management System, define requirements and expectations in order to operate in a quality manner.

Odfjell Drilling will continue in 2018 to focus on environmental performance and energy management in accordance with the company's environmental principles.

R&D ACTIVITIES

The Group's activities are based on high competence and experience in offshore drilling activities. Odfjell Drilling shall develop and implement technological know-how and solutions to achieve its strategic objective to remain as a leading and preferred drilling services contractor and engineering and well service provider.

The Group's technology strategy focuses on five core technological areas:

- Conceptual development
- Effective operations
- Availability of machinery
- Asset traceability
- Digitalization

The technology strategy also supports the zero fault objectives and aims to improve the HSE level of the Group's operations, as well as reducing the impact on the environment.

A high level of innovation and technology development will be crucial to support both existing business activities and entry into new areas. Well Services is already a technology leader in the field of remote-operated equipment that is designed to enhance both safety and efficiency.

The Group has launched a digitalization strategy with eight main areas of interest covering all business segments with an ambition to make digitalization an integral part of all activities. Applying digital technologies is seen as a tool to increase productivity and shorten process lead and cycle times, while minimizing environmental impact and further improving the safety of the people involved. The vision is to apply these digital technologies to create value and strengthen the Group's competitive edge.

Part of the digitalization strategy is to increase the digital competence on all levels in the organisation.

RISK FACTORS

OPERATIONAL AND INDUSTRIAL RISK FACTORS

The Group provides drilling and maintenance services for the oil and gas industry, which historically has been cyclical in its development. The level of activity in the offshore oil and gas industry will depend, among other things, on the general climate in the global economy, oil and gas prices, the investment level for oil and gas exploration, production and drilling and regulatory issues relating to operational safety and environmental hazards. Financial performance will also depend on the balance of supply and demand for mobile drilling units.

The Group seeks to mitigate these risks by securing contracts with reputable customers for its main assets and services. However, all offshore contracts are associated with considerable risk and responsibilities, including technical, operational, commercial and political risks. The Group will continuously adjust the insurance coverage deemed adequate to limit these risks.

Furthermore, as the Group's fully owned fleet consists of only four units in operation, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet.

Factors that, in the Group's view could affect its results materially are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in client's spending budgets plus developments in the financial markets externally and within the Group.

The current market conditions and contract situation for the Group's mobile offshore drilling units also affect the liquidity risk and covenant risk since reduced revenues from drilling operations will directly affect the operating results, cash flow from operations and hence liquidity. The Group seeks to mitigate the current market, liquidity and re-contracting risk by securing new drilling contracts for units that will end their respective drilling contract during 2018, by (i) further cost reduction and efficiency improvement programs and (ii) the focus on capital discipline.

FINANCIAL RISK FACTORS

Market risk

The Group is exposed to currency risks, particularly since charter contracts are typically denominated in USD whereas operating expenses are primarily incurred in local currencies. The Group seeks to minimise these risks through currency hedging via financial instruments or by off-setting local currency elements in charter contracts. The Group may also be exposed to currency risk relating to debt financing in foreign currencies, and it may also seek to mitigate these risks through currency swaps, hedges or other derivatives. The Group is exposed to interest rate risk relating to its debt financing and its holding of interest bearing assets and cash and cash equivalents. Apart from the export credit tranche of the Deepsea Aberdeen facility, none of the Group's borrowings are at fixed interest rates and interest rate risks are mitigated by using financial instruments such as interest rate swap agreements.

Credit risk

The Group's commercial counterparts are primarily major integrated oil companies, independent oil and gas producers and government owned oil companies, therefore the credit risk is considered to be limited. Provisions for bad debts amounted to 1 % of accounts receivable at year end 2017.

Liquidity risk

Odfjell Drilling held cash and cash equivalents amounting to USD 166 million at the end of 2017. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2018. The Company monitors the total liquidity and will take measures if necessary.

Please refer to note 20 in the Financial Statements for further information about financial risk management.

OUTLOOK

Following the drop in the oil price during 2014, the drilling and oil service market has suffered a severe decrease in the total activity level. The downturn has resulted in major impairments across the sector and oil companies have been forced to reduce costs and establish more efficient operations. The efficiency programs carried out by the oil companies have led to a substantial cost reduction in field development and production.

We are currently observing a recovery in the oil price with levels more sound and sustainable for the drilling and oil service market. This, in combination with a more favourable cost structure, has resulted in an increased appetite for exploration and production activities by the oil companies.

Although the global drilling and oil service market is still at a low level, some regions have seemed to recover at a higher pace than others. In harsh environments, a substantial number of mature units have been permanently withdrawn from the market over the last couple of years. In addition, newbuilds have proven to be significantly more efficient than mature units. The ultra-deep water market remains challenging due to an oversupply of new build rigs in recent years.

Based on the preference of new and more efficient units combined with high reactivation costs, we believe that scrapping of older midwater and harsh environment drilling units will continue over the next few years. In combination with a more healthy market environment, we believe this will bring the harsh environment market back into balance with subsequently improved day rates.

Odfjell Drilling is well positioned in this market with a fleet mainly consisting of 6th generation semi-submersibles tailored for efficient operations in harsh environments.

Deepsea Stavanger has been drilling for Wintershall on the Maria field from 20 March 2017. In Q1 2018 the unit will commence back-to-back work for Aker BP until the mobilization in Q4 2018 to South Africa for the drilling contract with Total. Another 12 month drilling contract with Aker BP will commence back-to-back with the Total contract, estimated to start in Q2, 2019. Deepsea Aberdeen is contracted until April 2022 for BP West of Shetland and Deepsea Atlantic is on a firm contract with Statoil until March 2019 plus 6x6 months options. Deepsea Bergen is currently drilling HPHT wells for OMV and thereafter the unit will continue for Statoil on a contract for three firm wells with 3 options of three wells each.

Furthermore, in November Odfjell Drilling entered into a 5+5 years alliance with Aker BP to cover all their enquiries for semi-submersibles, subject to Odfjell Drilling's rig availability and that the alliance model is approved in the respective licenses.

Well Services has faced increased competition and price pressure for its services globally but has been able to partly compensate for the price pressure and lower volumes through cost reductions and increased efficiency. Since the second half of 2017 we have seen an increased tender activity in the European and Middle East markets and OWS has been awarded some important contracts. However the over-supply of equipment will, in the short to medium term, continue to keep downward pressure on prices.

The slowdown in the North Sea market has led to an ongoing low activity level for development and upgrade projects. The Group has reduced the cost level substantially throughout the organization and is well positioned to take part in the market recovery.

SUBSEQUENT EVENTS

The following events have occurred after the balance sheet date:

On January 4, Odfjell Well Services – as one of three successful bidders - signed a contract with Kuwait Oil Company (KOC) to provide TRS, drilling tools, drillpipe, pressure control equipment and WBC for all KOC drilling and workover operations. Currently there are over 120 rigs working onshore in Kuwait, however this is expected to increase to 180 rigs by the end of 2018. The firm duration of the contract is for 5 years, based on call off services.

On January 23, Statoil exercised the second option under the drilling contract for Deepsea Bergen that was awarded in May 2017. The Statoil contract was for one firm well plus four options each of three wells. The first option with two wells was exercised in December 2017. This option will follow immediately after option one.

On 16 April 2018, Statoil awarded a conditional Letter of Intent (LOI) for a drilling contract for Deepsea Atlantic for 6 firm wells with an estimated total duration of 18 months, scheduled to commence in early first quarter 2019. The contract contains the option to continue operations for Statoil after the firm period, and such options shall be based on market pricing. The contract value is estimated to USD 160 million (including some third party services, e.g. casing running services by Odfjell Well Services) plus potential income from the contract incentive model.

The Board of Odfjell Drilling Ltd, Hamilton, Bermuda, 17 April 2018

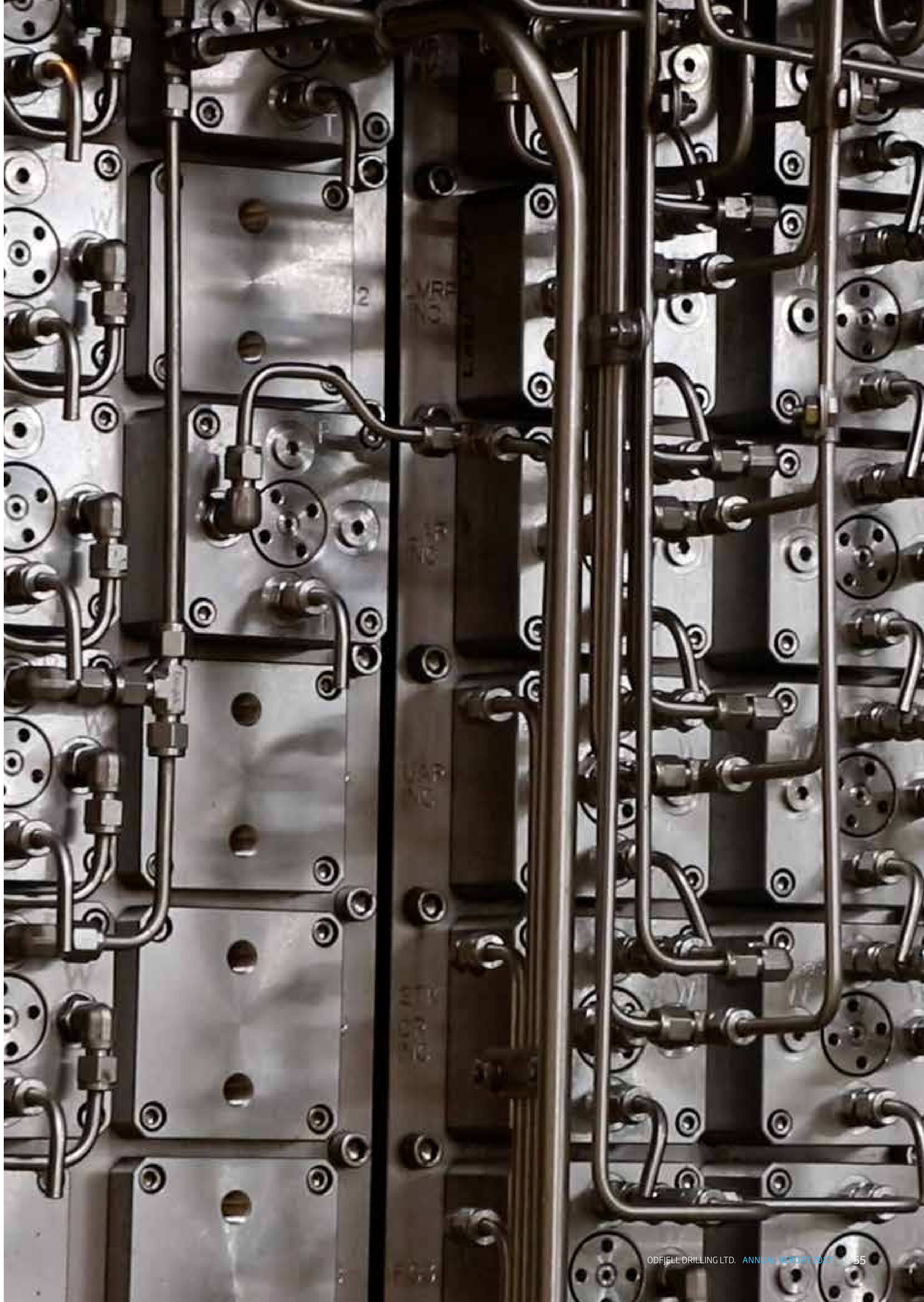
Carl-Erik Haavaldsen
Chairman

Helene Odfjell
Director

Kirk L. Davis
Director

Henry Hamilton III
Director

Bengt Lie Hansen
Director



Financial statements & notes

ANNUAL REPORT 17

Consolidated Income Statement for the year ended 31 December

USD thousands	Note	2017	2016
Operating revenue	3,4	662,158	657,392
Total operating income		**662,158**	**657,392**
Other gains/losses	5	11,215	629
Share of profit / (loss) from joint ventures	26	-	20
Total other items		11,215	649
Personnel expenses	6, 17,28	(260,815)	(232,561)
Depreciation, amortisation and impairment loss	15, 16	(161,436)	(250,722)
Other operating expenses	5, 6	(138,838)	(140,663)
Total operating expenses		(561,089)	(623,946)
Operating profit (EBIT)		**112,285**	**34,094**
Share of profit / (loss) from joint ventures	26	(1,485)	1,399
Interest income	5	1,535	819
Borrowing cost	5, 12	(72,028)	(69,055)
Other financial items	5	(3,618)	(5,810)
Finance cost - net		(75,596)	(72,647)
Profit / (loss) before tax		**36,688**	**(38,553)**
Income tax (expense) / income	7	(1,335)	(25,141)
Profit / (loss) for the period		**35,353**	**(63,694)**
Of which attributable to the owners of the parent		35,353	(63,694)
Of which attributable to non-controlling interests		-	-
Earnings per share (USD)			
Basic earnings per share	29	0.18	(0.32)
Diluted earnings per share	29	0.18	(0.32)

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Comprehensive Income for the year ended 31 December

USD thousands	Note	2017	2016
Profit / (loss) for the period		**35,353**	**(63,694)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / loss on post employment benefit obligations	7, 17	(266)	(4,526)
Total		(266)	(4,526)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	20	353	470
Currency translation differences		9,531	(1,689)
Total		9,884	(1,218)
Other comprehensive income for the period, net of tax		**9,618**	**(5,744)**
Total comprehensive income for the period		**44,971**	**(69,438)**
Total comprehensive income for the period is attributable to:			
Owners of the parent		44,971	(69,438)

Items in the statement above are disclosed net of tax. The income tax relating to each item of other comprehensive income is disclosed in note 7.

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Financial Position

USD thousands	Note	31.12.2017	31.12.2016
Assets			
Intangible assets	15	32,855	33,009
Deferred tax asset	7	3,566	2,498
Property, plant and equipment	16	1,782,393	1,912,754
Investments in joint ventures	26	-	8,217
Derivative financial instruments	8, 11	318	235
Other non-current assets	9	233	287
Total non-current assets		**1,819,365**	**1,957,000**
Spare parts		1,680	1,782
Trade receivables	9	137,438	111,090
Other current receivables	9	13,775	12,097
Cash and cash equivalents	10	165,970	181,623
Total current assets		**318,863**	**306,591**
Total assets		**2,138,228**	**2,263,592**
Equity and liabilities			
Share capital	18	1,987	1,987
Other contributed capital		326,853	326,853
Other reserves	19	(105,019)	(114,903)
Retained earnings		543,235	508,148
Total equity attributable to owners of the parent		**767,057**	**722,086**
Non-current interest-bearing borrowings	12, 13	1,076,103	1,208,180
Derivative financial instruments	8, 11	-	101
Post-employment benefits	17	18,084	17,554
Other non-current liabilities	14	5,331	1,522
Total non-current liabilites		**1,099,519**	**1,227,358**
Current interest-bearing borrowings	12, 13	157,472	204,058
Trade payables		35,214	17,233
Current income tax	7	298	12,357
Social security and other taxes	9	16,163	13,337
Other current liabilities	14	62,505	67,163
Total current liabilities		**271,652**	**314,148**
Total liabilities		**1,371,171**	**1,541,506**
Total equity and liabilities		**2,138,228**	**2,263,592**

The accompanying notes are an integral part of these financial statements

The Board of Odfjell Drilling Ltd
Hamilton, Bermuda, 17 April 2018

Carl-Erik Haavaldsen
Chairman

Helene Odfjell
Director

Kirk L. Davis
Director

Henry Hamilton III
Director

Bengt Lie Hansen
Director

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the parent				
USD thousands	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	1,987	326,853	(113,684)	576,368	791,524
Profit/(loss) for the period	-	-	-	(63,694)	(63,694)
Other comprehensive income for the period	-	-	(1,218)	(4,526)	(5,744)
Total comprehensive income for the period	-	-	(1,218)	(68,220)	(69,438)
Transactions with owners	-	-	-	-	-
Balance at 31 December 2016	**1,987**	**326,853**	**(114,903)**	**508,148**	**722,086**
Profit/(loss) for the period	-	-	-	35,353	35,353
Other comprehensive income for the period	-	-	9,884	(266)	9,618
Total comprehensive income for the period	-	-	9,884	35,087	44,971
Transactions with owners	-	-	-	-	-
Balance at 31 December 2017	**1,987**	**326,853**	**(105,019)**	**543,236**	**767,057**

Consolidated Statement of Cash Flows for the year ended 31 December

USD thousands	Note	2017	2016
Cash flows from operating activities:			
Profit / (loss) before tax		36,688	(38,553)
Adjustments for:			
Depreciation, amortisation and impairment loss		161,436	250,722
Unrealised (gain) / loss on interest rate swaps		(520)	(660)
Interest expense - net		64,101	60,359
Borrowing cost		6,160	7,432
Share of (profit) / loss from joint ventures		1,485	(1,419)
Net (gain)/loss on sale of shares and other financial investments		(9,769)	-
Net (gain) / loss on sale of tangible fixed assets		(1,496)	(486)
Post-employment benefit expenses less post-employment benefit payments		(656)	(32,873)
Net currency loss / (gain) not related to operating activities		2,136	(4,115)
Changes in working capital:			
Spare parts		157	1,079
Trade receivables		(21,392)	58,446
Trade payables		16,897	(11,177)
Other accruals		(9,801)	(47,724)
Cash generated from operations		***245,426***	***241,032***
Interest paid		(64,688)	(58,802)
Net income tax refunded / (paid)		(14,900)	16,443
Net cash flow from operating activities		**165,839**	**198,673**
Cash flows from investing activities:			
Purchase of property, plant and equipment	15, 16	(29,468)	(31,229)
Proceeds from sale of property, plant and equipment		2,036	1,464
Other non-current receivables		64	67
Proceeds from financial investments incl. joint ventures		26,580	7,920
Net cash flow from investing activities		**(787)**	**(21,778)**
Cash flows from financing activities:			
Net proceeds from borrowings financial institutions	12	(737)	519,226
Repayments of borrowings to financial institutions	12	(183,500)	(713,000)
Net cash flow from financing activities		**(184,237)**	**(193,774)**
Effects of exchange rate changes on cash and cash equivalents		3,533	(3,125)
Net change in cash and cash equivalents		**(15,653)**	**(20,004)**
Cash and cash equivalents at 01.01		181,623	201,626
Cash and cash equivalents at 31.12		**165,970**	**181,623**

The accompanying notes are an integral part of these financial statements

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Notes to the Consolidated Financial Statements 2017

All amounts are in USD thousands unless otherwise stated

Group Financial Statements

Note 1 > Significant events and transactions in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

Drilling contracts awarded

On 21 March 2017, Deepsea Bergen received a firm contract with OMV (Norge) AS for one firm plus options for two additional wells on the Norwegian Continental Shelf. The unit commenced the contract end of November 2017.

On 31 May 2017, Odfjell Drilling received a contract with Statoil Petroleum AS securing Deepsea Bergen for drilling activities in 2018-2019. The contract includes one firm well plus 4 x 3 optional wells. Commencement of the firm well will be back to back with the expiration of the OMV drilling contract.

On 9 June 2017, Deepsea Bergen received a one well contract with Wellesley Petroleum for one exploration well. The operation found place during August and September 2017.

On 4 July 2017 Odfjell Drilling signed a contract with Total E&P South Africa for a one well to be drilled by the 6th generation semi-submersible, Deepsea Stavanger, offshore South Africa. The contract commencement is expected to be in Q1 2019.

On 10 August 2017, Odfjell Drilling signed a contract with Aker BP ASA for Deepsea Stavanger (6th generation semi-submersible) for a period of approximately 9 months with commencement in February 2018 and completion around October 2018.

On 21 November 2017, Odfjell Drilling entered into a drilling and well alliance formed by Aker BP. The agreement has a total duration of 5 years plus 5 optional years. Aker BP has made the first call off committing Deepsea Stavanger for a 12 months period starting mid 2019.

Rig ownership restructuring

In March 2017, the Group resolved to restructure the rig ownership of the 6th generation semi-submersible fleet of Odfjell Drilling. The rigs are after the completion owned by the Dubai branches of UK legal entities, all subsidiaries of Odfjell Drilling Ltd.

Amendment and extension of Deepsea Bergen facility

Odfjell Rig II Ltd., a subsidiary of Odfjell Drilling Ltd. and rig owner of Deepsea Bergen, finalized on 29 August 2017 the amendment and extension of the Deepsea Bergen facility. The facility amount is USD 62.5 million per year end 2017 (See note 12).

Note 2 > Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors which are outside the Group's control. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-financial assets

Assets that have an indefinite useful life, i.e. goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation, i.e. mobile drilling units, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

If available, estimated fair value of an asset is obtained externally. In addition, the Group has financial models which calculate and determine the value in use through a combination of actual and expected cash-flow generation discounted to present value. In measuring value in use the Group has based its calculation on reasonable and supportable assumptions that represent management's best estimate for the range of economic conditions that will exist over the remaining useful life of the asset. The Group has applied latest available market assumptions when calculating value in use as of 31 December 2017.
To support the value in use calculation the Group has also looked at the broker values at the applicable balance date and analysed contract values and other factors (new build parity etc), bridging book value of the rigs.
The Group acknowledges that there may be both macroeconomic and industry specific challenges when looking at a longer period of time, which a rig's lifetime is. Estimated cash flows may for these reasons vary over time and different scenarios have therefore been accounted for. The Group has in its calculations accounted for different scenarios when it comes to assumptions related to day rate, exercised options, operating expenses, financial utilisation and market recovery.
Normalised day rate, supported by new build parity, is in the model fully recovered from 2022. In the periods without contract prior to 2022, the Group has applied estimated day rates that provide a natural development towards normalised level.
The discount factor applied in the cash flow budgets is a pre-tax weighted average cost of capital.

As the analysis in note 16 demonstrate, the impairment assessment is sensitive to changes in key assumptions. Please refer to sensitivity analyses in note 16 for further information

Going concern

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in client's spending budgets, the developments in the financial markets and within the Group.

The volatility in market capitalization for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time. Please also refer to Note 20 Financial Risk Management.

With a volatile rig market and uncertain second-hand market, there is a risk that future broker valuations may not meet the minimum value clauses agreed with lenders, even if the broker valuations currently are in a positive trend.

Taking all relevant risk factors into consideration, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. Hence, the Group has adopted the going concern basis in preparing its consolidated financial statements.

Note 3 > Segment summary

The Group provides drilling and related services to the offshore oil and gas industry and has three main business areas; the operation of mobile drilling units, drilling & technology and well services.

The Board is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. Mobile Offshore Drilling Units business segment (MODU), Drilling & Technology business segment (D&T) and Odfjell Well Services business segment (OWS) have been determined as the operating segments.

The Group's internal reporting is prepared according to Norwegian GAAP. This gives rise to differences between the measurements of segment disclosures and comparable items disclosed in this financial report. Such differences are identified and reconciled in the tables below.

- Mobile Offshore Drilling Units (MODU): In the MODU segment, the Group operates drilling units owned by the Group and by third parties. The MODU segment also offers management services to other owners of semisubmersibles, drillships and jack-ups; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

- Drilling & Technology (D&T): Within the Drilling & Technology segment, the Platform Drilling business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. The Technology business area offers engineering services, including design, project management and operation and support.

- Well Services (OWS): The Well Services segment provides casing and tubular running services, wellbore cleaning as well as drilling tool and tubular rental services both for exploration wells and for production purposes.

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
External segment revenue	478,443	433,756	97,798	124,273	74,764	87,530	11,152	11,833	662,158	657,392
Inter segment revenue	2,605	4,149	7,651	7,056	22,101	22,574	(32,356)	(33,779)	-	-
Total revenue	**481,047**	**437,905**	**105,449**	**131,329**	**96,865**	**110,103**	**(21,204)**	**(21,946)**	**662,158**	**657,392**
EBITDA	**243,736**	**226,399**	**15,019**	**(24)**	**31,606**	**43,145**	**(16,642)**	**15,296**	**273,720**	**284,817**
Depreciation and impairment	(132,243)	(216,285)	(912)	(4,061)	(27,972)	(32,303)	(309)	1,927	(161,436)	(250,722)
EBIT	**111,493**	**10,113**	**14,107**	**(4,085)**	**3,634**	**10,842**	**(16,951)**	**17,223**	**112,285**	**34,094**

Reconciliation:

USD thousands	FY 17	FY 16
Total EBIT for reportable segments	**129,235**	**16,871**
Corporate / Eliminations	(19,172)	(14,787)
Share of profit from DSM Ltd., Group	-	20
Accounting differences	2,222	31,990
EBIT Consolidated Group	**112,285**	**34,094**
Share of profit from other joint ventures	(1,485)	1,399
Net financial items	(74,111)	(74,046)
Profit / (loss) before tax Group	**36,688**	**(38,553)**

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Note 4 > Revenue

Operating revenue by geography

USD thousands	2017	2016
Norway	410,568	362,360
United Kingdom	193,233	211,826
Other countries Europe	11,593	17,038
Asia	44,054	55,498
Brazil	-	3,374
Other countries	2,709	7,296
Total operating income	**662,158**	**657,392**

Revenue is allocated to the geography where the service is provided.

Revenues from single external customers

(more than 10% of revenues)	2017	2016
Statoil	237,193	295,201
BP Exploration Operating Company Ltd.	174,573	200,855
Wintershall	113,350	

Note 5 > Combined items, income statement

Other gains and losses

USD thousands	Note	2017	2016
Disposal of investments in joint ventures		9,409	-
Gain on sale of other assets	26	1,806	629
Gain on sale of assets		**11,215**	**629**

Other operating expenses

USD thousands	2017	2016
Hired services	37,554	27,668
Hired equipment	6,587	5,980
Repair and maintenance, inspection, tools, fixtures and fittings	49,576	53,646
Insurance, guarantee and service costs	5,030	5,008
Freight. transport and insurance	5,712	5,873
Office rent and warehouses	9,614	10,520
Travel and course expenses	12,301	14,631
Other operating and administrative expenses	12,464	17,338
Total other operating expenses	**138,838**	**140,663**

Financial income / (expenses)

Interest income

USD thousands	2017	2016
Interest income	1,535	819
Total interest income	**1,535**	**819**

Borrowing cost

USD thousands	2017	2016
Interest incurred	(65,636)	(61,177)
Other borrowing expenses	(6,392)	(7,877)
Total borrowing cost	**(72,028)**	**(69,055)**

Other financial items

USD thousands	2017	2016
Net currency gain / (loss)	(3,087)	(4,926)
Other financial income	396	103
Change in value of market-based derivatives	520	660
Other financial expenses	(1,447)	(1,647)
Total other financial items	**(3,618)**	**(5,810)**

Note 6 > Personnel expenses

Personnel expenses

USD thousands	Note	2017	2016
Salaries and wages		203,369	201,781
Employer`s national insurance contributions		28,397	27,805
Pension expenses	17	15,921	(10,616)
Other benefits		10,766	11,035
Hired personnel		2,362	2,554
Total personnel expenses		**260,815**	**232,561**
No. of employees (annual average)		1,959	2,313

Audit fees

USD thousands	2017	2016
Audit (incl. technical assistance with financial statements)	665	759
Other assurance services	16	21
Tax advisory fee (incl. technical assistance with tax returns)	197	129
Fees for other services	35	61
Total audit fees	**912**	**970**

The fees are net of VAT.

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Note 7 > Tax

USD thousands	2017	2016
Withholding tax, ordinary taxation	(1,334)	(2,386)
Payable tax, ordinary taxation	(900)	(14,904)
Change in deferred tax, ordinary taxation	899	(7,852)
Total tax expense	(1,335)	(25,141)
Effective tax rate	3.6 %	-65.2 %

Withholding tax is the tax withheld on border-crossing gross income, generated in Middle East and some other countries. Withholding tax is presented as tax expense in the income statement as this is a major, and often the total, part of the corporate income tax.

Effective tax rate for 2016 is negative due to positive taxable income in Norway and the UK while juristictions with low or zero income tax rates have net losses. The impairment losses of USD 80 million in 2016 contributed significantly to the negativ effective tax rate.

Tax reconciliation

USD thousands	2017	2016
Profit / (loss) before tax	36,688	(38,553)
Tax calculated at domestic tax rates applicable to profits in respective countries* (including withholding tax)	(8,750)	(20,596)
Tax loss related to shares	65,965	-
Change in unrecognised tax losses	(56,280)	-
Effect of changes in tax rates	(2,585)	(100)
Effect of adjustments recognised related to prior periods	1,950	(588)
Effect of net non-taxable income / (expenses)	(1,635)	(3,857)
Taxes	(1,335)	(25,141)

* Domestic tax rates applicable to the Group varies between 0 % and 25 % for corporate income taxes (CIT)

The group has sold shares in joint ventures and associated companies during the year (note 26). Gain from the sale of Robotic Drilling Systems AS is not subject to taxation. A deductible tax loss was realised through the sale of shares in Deep Sea Metro Ltd.

Deferred tax assets are recognised when it is likely that the benefit can be realised through expected future taxable profits.

Tax losses

USD thousands	2017	2016
Unused tax losses for which no deferred tax asset has been recognised	249,594	6,628
Potential tax benefit (23% /17%)	57,407	1,127

The gross movement on the deferred tax account is as follows:

USD thousands	2017	2016
Net deferred tax assets/(deferred tax liabilities) at 01.01	2,498	8,397
Income statement charge	899	(7,852)
Change in deferred tax on other comprehensive income	(84)	1,509
Currency translation differences	253	444
Net deferred tax assets/(deferred tax liabilities) at 31.12	3,566	2,498

The Group's recognised deferred tax assets are related to operations in Norway and the UK.
Deferred tax liabilities and assets are offset for liabilities and assets in companies which are included in local tax groups.

Deferred tax - Spesification and movements

Deferred tax assets	Tax losses	Current assets	Net pension liabilities	Fixed assets	Total
Opening balance 01.01.2017	-	400	4,263	1,762	6,424
Income statement charge	899	(172)	(399)	(384)	(56)
Change in deferred tax on other comprehensive income	-	-	(84)	-	(84)
Currency translation differences	(50)	26	380	88	444
Closing balance 31.12.2017	849	254	4,159	1,466	6,728

Deferred tax liabilities	Share in limited partnership	Deferred capital gains	Total
Opening balance 01.01.2017	(991)	(2,935)	(3,926)
Income statement charge	241	714	954
Currency translation differences	(48)	(143)	(191)
Closing balance 31.12.2017	(798)	(2,364)	(3,162)

Deferred tax liabilities offset in deferred tax assets	(3,162)
Net book value of deferred tax asset at 31.12.2017	3,566

Deferred tax assets	Current assets	Net pension liabilities	Fixed assets	Total
Opening balance 01.01.2016	843	10,659	1,983	13,485
Income statement charge	(513)	(8,347)	(275)	(9,136)
Change in deferred tax on other comprehensive income	-	1,509	-	1,509
Currency translation differences	69	442	54	566
Closing balance 31.12.2016	400	4,263	1,762	6,424

Deferred tax liabilities	Current assets	Share in limited partnership	Deferred capital gains	Total
Opening balance 01.01.2016	(65)	(1,284)	(3,740)	(5,089)
Income statement charge	68	307	909	1,285
Currency translation differences	(3)	(14)	(105)	(122)
Closing balance 31.12.2016	-	(991)	(2,935)	(3,926)

Deferred tax liabilities offset in deferred tax assets	(3,926)
Net book value of deferred tax asset at 31.12.2016	2,498

The tax (charge)/credit relating to components of the comprehensive income is as follows:

	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
USD thousands	2017	2017	2017	2016	2016	2016
Actuarial loss on post employment benefit obligations	(350)	84	(266)	(6,034)	1,509	(4,526)
Other comprehensive income	(350)	84	(266)	(6,034)	1,509	(4,526)
Deferred tax		84	-	-	1,509	-

Note 8 > Financial assets and liabilites

Financial instruments by category and level

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount. As the time horizon is due in short term, future cash flows are not discounted.

The Group had the following financial instruments at each reporting period:

USD thousands	Note	Level	2017	2016
Assets				
Derivatives held at fair value through profit or loss				
- Other non-current assets	11	2	318	-
- Other current assets	11	2	102	-
Derivatives held as hedge instrument				
- Other non-current assets	11	2	-	235
Loans and receivables				
- Other non-current assets	9	3	233	287
- Trade receivables	9	3	137,438	111,090
- Other current receivables	9	3	3,100	5,662
- Cash and cash equivalents	10	3	165,970	181,623
Total assets as at 31.12			**307,161**	**298,897**

USD thousands	Note	Level	2017	2016
Liabilities				
Derivatives held at fair value through profit or loss				
- Other non-current liabilities	11	2	-	101
Derivatives held as hedge instrument				
- Other current liabilities	11	2	186	774
Financial liabilities at amortised cost				
- Interest-bearing borrowings	12	3	1,233,575	1,412,239
- Other non-current liabilities	14	3	-	619
- Trade payables		3	35,214	17,233
- Other current liabilities	14	3	53,974	63,001
Total liabilities as at 31.12.			**1,322,950**	**1,493,966**

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Note 9 > Trade receivables and other receivables

Other non-current receivables

USD thousands	2017	2016
Loans to employees	-	59
Other non-current receivables	233	229
Total other non-current receivables	**233**	**287**

Trade receivables

USD thousands	2017	2016
Trade receivables	117,331	94,492
Earned, not yet invoiced operating revenues	21,588	18,032
Provision for bad debt	(1,481)	(1,434)
Trade receivables - net	**137,438**	**111,090**

Other current receivables

USD thousands	2017	2016
Derivative financial instruments (see note 11)	102	-
Reimbursable expenses	-	1,106
Prepayments	10,573	6,435
VAT- receivables	2,419	2,038
Other current receivables	682	2,519
Total other current receivables	**13,775**	**12,097**

The fair value of trade receivables and other receivables are as follows:

USD thousands	2017	2016
Trade receivables	137,438	111,090
Other current receivables	13,775	12,097
Other non-current receivables	233	287
Total	**151,446**	**123,474**

As the receivables are due in the short term, the fair value is approximately equal to the carrying amount, and the future cash flows are not discounted.

The carrying amounts of the trade receivables are denominated in the following currencies:

USD thousands	2017	2016
USD	43,288	51,117
NOK	58,000	41,125
GBP	22,273	14,331
Other	13,877	4,516
Total	**137,438**	**111,090**

The ageing of the trade receivables	Gross amount	Bad debt provision	Net amount	Gross amount
USD thousands	2017	2017	2017	2016
Not due	116,160	(374)	115,786	88,918
0 to 3 months	19,359	(21)	19,338	22,091
3 to 6 months	993	(79)	913	959
Over 6 months	2,407	(1,007)	1,400	556
Total	**138,919**	**(1,481)**	**137,438**	**112,524**

The bad debt provision of 1,434 thousand USD as at 31.12.2016 is mainly related to receivables past due over 3 months.

The trade receivables which are past due more than 3 months are evalutated for impairment and provision is made based on estimated payments from eash customer. In addition, a provision is made for other receivables with indications that the receivable may be impaired.

Movements on the provision for impairment of trade receivables are as follow:

USD thousands	2017	2016
Provision for bad debt as at 1.1.	1,434	8,213
Utilised	(119)	(8,117)
Released provision	(161)	(209)
New provisions	216	1,434
Translation differences	111	114
Provision for bad debt as at 31.12	1,481	1,434

Best estimate of provision for impairment of trade receivables is recognised in the financial statements with USD 1.5 million at year end 2017.

USD thousands	2017	2016
Net gain (loss) related to trade receivables	126	(1,339)

Note 10 > Cash and cash equivalents

USD thousands	2017	2016
Cash in bank	101,362	118,580
Time deposits	15,795	32,901
Retention accounts	19,747	24,379
Restricted bank deposits	29,066	5,762
Total	165,970	181,623

Retention accounts consist of cash provision for accrued, but not paid, interest and installments due within one to five months.

Restricted bank deposits are mainly related to tax withholdings for employees for 2015 and 2016. As at 31 December 2017 the restricted bank deposits also include a cash colleateral of USD 21.5 million related to the Odfjell Rig II Ltd. Facility Agreement, see note 13.

The Group has no undrawn credit facilities as at 31 December 2017.

Note 11 > Derivatives

The Group had 4 interest rate swap agreements and 12 foreign exchange contracts at 31 December 2017. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the swap agreements at the end of the year. Some of the instruments were documented as cash flow hedges and other as financial investments, and changes in fair value were recognised in other comprehensive income (cash flow hedging) and others recognised through profit and loss statement (financial investments not defined as cash flow hedges). See note 5 and note 20 for further description of impact on profit and loss and other comprehensive income.

	Assets	Liabilities	Assets	Liabilities
USD thousands	2017		2016	
Interest rate swaps	419			(101)
Interest rate swaps - cash flow hegdes under hedge accounting	-		235	
Foreign exchange contracts - cash flow under hedge accounting		(186)		(774)
Total	419	(186)	235	(875)
Less non current portion	318	(101)	235	(101)
Current portion	102	(186)	-	(774)

As of 31.12. the Group held the following derivatives:

Instrument	Fixed rate	Floating rate / Currency amount hedged	Notional amount	Effective from	Duration	Net market value
31.12.2017						
Interest rate swap	1,853%	USD-LIBOR-BBA	45,500	2014 - 2021	7 years	318
Interest rate swaps	0,735% - 0,789%	USD-LIBOR-BBA	26,000	2013 - 2018	5 years	102
Foreign exchange contracts under hedge accounting	-	NOK 47,380,500	-	2017 - 2018	1 year	(186)
31.12.2016						
Interest rate swaps	1,853%	USD-LIBOR-BBA	52,000	2014 - 2021	7 years	(101)
Interest rate swaps under hedge accounting	0,735% - 0,789%	USD-LIBOR-BBA	54,000	2013 - 2018	5 years	235
Foreign exchange contracts under hedge accounting	-	GBP 1,615,615 NOK 19,096,750	-	2015 - 2017	2 years	(774)

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Note 12 > Interest-bearing borrowings

The interest-bearing borrowings are secured debt. Interest rates are generally based on LIBOR rates.

Interest-bearing borrowings	Non-current	Current	Total	Non-current	Current	Total
USD thousands	2017	2017	2017	2016	2016	2016
Bank borrowings	1,091,500	148,000	1,239,500	1,229,000	194,000	1,423,000
Transaction cost, unamortised	(15,397)		(15,397)	(20,820)	-	(20,820)
Accrued interest cost	-	9,472	9,472	-	10,058	10,058
Carrying amounts interest-bearing borrowings	**1,076,103**	**157,472**	**1,233,575**	**1,208,180**	**204,058**	**1,412,239**

Movements in interest-bearing borrowings are analysed as follows:	Non-current	Current	Total	Non-current	Current	Total
USD thousands	2017	2017	2017	2016	2016	2016
Cash flows:						
New bank loan raised	-	-	-	525,000	-	525,000
Repayment bank loan	-	(183,500)	(183,500)	-	(713,000)	(713,000)
Paid transaction costs related to new bank loan	(737)	-	(737)	(5,774)	-	(5,774)
Non-cash flows:						
Reclassified to current borrowings	(137,500)	137,500	-	(194,000)	194,000	-
Change in transaction cost, unamortised	6,160		6,160	4,290	3,142	7,432
Change in accrued interest cost	-	(586)	(586)	-	1,557	1,557
Carrying amount as at 31 December	**1,076,103**	**157,472**	**1,233,575**	**1,208,180**	**204,058**	**1,412,239**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual instalments.

Maturity	Non-current	Current	Total	Non-current	Current	Total
USD thousands	2017	2017	2017	2016	2016	2016
Maturity within 3 months	-	12,500	12,500	-	26,500	26,500
Maturity between 3 and 6 months	-	57,500	57,500	-	69,500	69,500
Maturity between 6 and 9 months	-	16,000	16,000	-	26,500	26,500
Maturity between 9 months and 1 year	-	62,000	62,000	-	71,500	71,500
Maturity between 1 and 2 years	775,000	-	775,000	193,000	-	193,000
Maturity between 2 and 3 years	79,500	-	79,500	747,000	-	747,000
Maturity between 3 and 4 years	237,000	-	237,000	52,000	-	52,000
Maturity between 4 and 5 years	-	-	-	237,000	-	237,000
Maturity beyond 5 years	-	-	-	-	-	-
Total contractual amounts	**1,091,500**	**148,000**	**1,239,500**	**1,229,000**	**194,000**	**1,423,000**

The Odfjell Drilling Services Ltd. facility
The facility has a final instalment of USD 270 million with maturity date in May 2019 included in the tables above.

The Odfjell Invest Ltd. facility
Odfjell Invest Ltd., a subsidiary of Odfjell DrillingLtd., and holding company of the rig-owning entities of Deepsea Atlantic and Deepsea Stavanger, fulfilled the conditions for the refinancing on 28 September 2016. The Group thereby refinanced the USD 525 million that was outstanding under the USD 950 million senior secured term loan facility that originally matured in November 2016, with a new facility of USD 525 million. The new facility will be repaid by quarterly instalments of USD 12.5 million and interest is payable at 415 basis points above LIBOR.

Borrowing costs of USD 5.8 milion was capitalised in 2016 related to the refinancing.

The facility has a final instalment of USD 400 million with maturity date of 23 September 2019 included in the tables above. However, if the Odfjell Drilling Services Ltd., facility has not been refinanced or extended 6 months prior to its final maturity date being 9 May 2019 with a new final maturity date falling after 23 September 2019, the Odfjell Invest Ltd facility shall mature 3 months prior to the final maturity date of the Odfjell Drilling Services facility.

The Odfjell Rig II Ltd. facility
On 29 August 2017, the Group finalized the amendment and extension of the Deepsea Bergen facility. The remaining contractual amount at 31 December 2017 is USD 62.5 million.Scheduled instalments will be USD 3.5 million in September 2018, USD 3.5 million in December 2018 and USD 7 million quarterly thereafter. A balloon of USD 6.5 million shall be paid together with the final instalment 30 September 2020.

The facility matures 30 September 2020, however, the lenders can exercise a termination option first time on 28 August 2018 and on successive 3-monthly intervals thereafter if the borrower cannot document a firm contract backlog for Deepsea Bergen which covers scheduled installments for the coming six months (less additional cash deposited as security). There is also a mandatory prepayment under the Odfjell Rig II Ltd facility if the Odfjell Drilling Services Ltd facility and the Odfjell Invest Ltd facility are not refinanced.

The Odfjell Rig III Ltd. facility
The facility has a final instalment of USD 211 million with maturity date in November 2021 included in the tables above.

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Estimated payment schedule for interests

USD thousands	2017	2016
Within 1 year	63,000	65,000
Between 1 and 2 years	57,000	62,000
Between 2 and 3 years	15,000	50,000
Between 3 and 4 years	9,000	14,000
Between 4 and 5 years	-	9,000
Beyond 5 years	-	-
Total estimated interest payments as at 31 December	**144,000**	**200,000**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

USD thousands	2017	2016
6 months or less	1,239,500	1,423,000
6 - 12 months	-	-
1 - 5 years	-	-
Later than 5 years	-	-
Total contractual amounts	**1,239,500**	**1,423,000**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017	2016
USD	1,239,500	1,423,000
Total	**1,239,500**	**1,423,000**

The carrying amount and fair value of the non-current liabilities are as follows:

	Carrying amount		Fair value	
USD thousands	2017	2016	2017	2016
Bank borrowings	1,233,575	1,412,239	1,233,575	1,412,239
Total	**1,233,575**	**1,412,239**	**1,233,575**	**1,412,239**

The fair value of non-current borrowings equals their carrying amount, as the loans have floating rates and credit margins have been stable from the loan raising. The Group has no undrawn borrowing facilties as of 31.12.2017 or 31.12.2016.

Financial covenants
Odfjell Drilling did in 2017 obtain a waiver of the debt service coverage ratio covenant in the Odfjell Drilling Services group from 31 December 2017 until and including the compliance reporting for the quarter ending 31 December 2018. During the same period, the minimum liquidity requirement of the Odfjell Drilling Services Ltd group is raised from USD 25 million to USD 35 million.

Compliance with covenants as at 31.12.2017
The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2017.

The borrowing facilities in the Odfjell Drilling Group include the following main covenants:

Group covenants
The Odfjell Drilling Group has agreed to maintain, at all times, a minimum free liquidity (cash and cash equivalents) requirement of USD 50 million and a total liquidity of minimum 5 per cent of interest bearing debt (on consolidated basis) (if the Odfjell Drilling Group 12 months prior to delivery of any investments in excess of USD 100 million has any unfinanced capital expenditure related to such investment, the minimum free liquidity requirement will increase to USD 100 million. In the event the total liquidity of the group falls below a threshold of USD 100 million, the Group shall present a plan within 14 days for raising a minimum of USD 50 million in new equity within three months of presenting such plan. Further, the Odfjell Drilling Group has agreed to maintain an equity ratio (equity to total assets) of minimum 30 per cent and a book equity of at least USD 600 million, at all times to maintain a leverage ratio (net interest bearing debt to EBITDA) not exceeding 5.50:1.00 until and including 31.12.2017, thereafter not exceeding 5.00:1:00. EBITDA and Interest Bearing Debt related to a newbuilding (drilling rig/vessel) shall be disregarded until the first full month after the earlier of (i) six (6) months after commencement of a firm employment contract for such newbuilding and (ii) twelve (12) months from the contractual delivery date (within the yard's delivery window) for such unit. Thereafter, actual EBITDA shall be annualised until a full twelve month earnings history related to that newbuilding has been achieved.The ratio of current assets to current liabilities shall at all times be a minimum 1.00:1.00.

Odfjell Invest Ltd – USD 525 million facility
Remaining contractual amount of USD 475 million as at 31 December 2017.
The facility agreement provides for mandatory prepayment if Helene Odfjell (and her descendants) cease to own at least 50.1% of the shares in Odfjell Drilling Ltd. The facility agreement contains undertakings and covenants, and terms and conditions which are considered to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the operation and maintenance of Deepsea Stavanger and Deepsea Atlantic.

There shall be no dividends declared without the prior written consent of the majority lenders. The facility agreement further contains default and cross-default provisions, all applicable to Odfjell Invest Ltd., and its subsidiaries, and in some cases the Odfjell Drilling Group. The cross-default provision is, however, only applicable to the Odfjell Drilling Group in relation to a default on indebtedness of more than USD 5 million.

Odfjell Rig II Ltd. - USD 270 million facility
Remaining contractual amount of USD 62.5 million as at 31 December 2017.
The facility agreement provides for mandatory prepayment if Helene Odfjell (and her descendants) cease to own at least 50.1% of the shares in Odfjell Drilling Ltd. The facility agreement otherwise contains undertakings and covenants, and terms and conditions which are considered to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the operation and maintenance of Deepsea Bergen. There shall be no dividends declared without the prior written consent of the majority lenders.

Further, the facility agreement also contains default and cross-default provisions, all applicable to the Odfjell Drilling Group. However, the cross-default provision is only applicable to the default of any member of the Odfjell Drilling Group on indebtedness of more than USD 5 million, unless any member of the Odfjell Drilling Group contributes at least USD 5 million in response to such default.

Odfjell Rig III Ltd – USD 530 million facility
Remaining contractual amount of USD 392 million as at 31 December 2017.
Dividends from Odfjell Drilling Ltd., shall be limited to 50% of its net income, subject to prior consent from GIEK and Kexim. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the operation and maintenance of the semi-submersible drilling rig "Deepsea Aberdeen". Further, the Facility Agreement also contains default and cross default provisions, all applicable to Odfjell Rig III Ltd., including the Odfjell Drilling Group and the Odfjell Rig Owning Ltd., Group.

Odfjell Drilling Services - USD 450 million
Remaining contractual amount of USD 310 million as at 31 December 2017.
The Odfjell Drilling Services Group has agreed to maintain, at all times, a minimum liquidity (cash and cash equivalents) requirement which is the higher of USD 25 million and 5 per cent of interest bearing debt (on consolidated basis). Further, the Odfjell Drilling Services Group has agreed to maintain an equity ratio (equity to total assets) of minimum 30 per cent. The Odfjell Drilling Services Group has also agreed to ensure that the ratio of current assets to current liabilities shall at all times be minimum 1.00. Finally, the debt service coverage ratio (ebitda to interest and installments) of the Odfjell Drilling Services Group calculated on a 12 months' rolling basis shall be above 1.1x. The debt service coverage ratio covenant has been waived from 31 December 2017 until and including the compliance reporting for the quarter ending 31 December 2018. During the same period, the minimum free liquidity requirement of the Odfjell Drilling Services Group is raised from USD 25 million to USD 35 million.

Further, the facility agreement implies certain restrictions on ownership, including that (i) Helene Odfjell and descendants shall own and control (directly or indirectly) at least 50.1 per cent of the voting rights and capital interest in Odfjell Drilling Ltd., and (ii) Odfjell Drilling Ltd., shall own and control, either directly or indirectly, 100 per cent of Odfjell Drilling Services Ltd., and/or Odfjell Rig Owning Ltd. The facility agreement also involves further restrictions on, inter alia, financial indebtedness, capital expenditures and financial support, all such provisions mainly applicable to Odfjell Drilling Services Group only.

The facility agreement otherwise contains undertakings and covenants which Odfjell Drilling Services Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information and certain restrictions on corporate actions and change of business. Dividends from Odfjell Drilling Ltd shall be limited to 50% of its net income. Further, the facility agreement also contains default and cross default provisions, all applicable to the obligors under the facility agreement, however such that cross default is applicable to any member of the Odfjell Drilling Group.

Note 13 > Securities and mortgages

Liabilities secured by mortgage

USD thousands	2017	2016
Non current liabilities - contractual amounts	1,091,500	1,229,000
Current liabilities	157,472	204,058
Total	**1,248,972**	**1,433,058**

Carrying amount of mortgaged assets:

USD thousands	2017	2016
Property, plant and equipment	1,782,393	1,912,754
Receivables	151,213	123,187
Bank deposits	165,970	181,623
Total	**2,099,576**	**2,217,563**

Odfjell Invest Ltd. - USD 525 million Facility
USD 525 million term loan facility agreement entered into on 23 September 2016 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent of behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 682.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the loan, substantially all of the assets of Odfjell Invest Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the shares in Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., mortgages over the semi-submersible drilling rigs "Deepsea Stavanger" and "Deepsea Atlantic" and assignment of rights to revenue, interest proceeds and bank accounts. In addition, the shares in Odfjell Invest Ltd., have been pledged by Odfjell Rig Owning Ltd., in favour of the lenders. Odfjell Drilling AS' shares in the charter company Odfjell Invest AS have also been pledged. Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling Ltd. and Odfjell Rig Owning Ltd. have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents.

Odfjell Rig II Ltd. - USD 270 million Facility
The USD 270 million term loan facility agreement was originally entered into on 15 February 2013 with Odfjell Rig II Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders, but was amended and extended in August 2017. The liability of Odfjell Drilling Ltd. as guarantor hereunder shall be limited to USD 85.8 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

All of the shares in and substantially all of the assets of Odfjell Rig II Ltd., have been pledged in favour of the lenders, including a mortgage over Deepsea Bergen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents.

A cash collateral has been established as security and is USD 21.5 million at year-end 2017 but will be reduced with USD 6 million when Deepsea Bergen has at least 12 months firm contract backlog. The cash collateral will be further reduced quarterly from Q1 2019.

Odfjell Rig III Ltd. - USD 530 million Facility
USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 636 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., and Odfjell Drilling Shetland Limited is pledged in favour of the lenders and hedging banks, including a mortgage of Deepsea Aberdeen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents .

Odfjell Drilling Services Ltd. – USD 450 million facility
USD 450 million senior secured credit facility agreement entered into on 6 May 2014 with Odfjell Drilling Services Ltd., as borrower and Danske Bank A/S, DNB Bank ASA, Nordea Bank Norge ASA and Swedbank AB (publ) as mandated lead arrangers and original lenders, Danske Bank A/S and DNB Bank ASA as coordinators and DNB Bank ASA acting as agent. The facility is a senior secured revolving credit and term loan facility in the total aggregate amount of USD 450 million, divided into a term loan facility in the maximum principal amount of USD 300 million and a revolving credit facility in the maximum principal amount of USD 150 million.

As security for the loan, Odfjell Drilling Ltd., Odfjell Well Services II Ltd., Odfjell Drilling Technology Ltd., Odfjell Drilling AS, Odfjell Drilling Technology AS, Odfjell Well Services AS, Odfjell Global Business Services AS and Odfjell Well Services Norway AS have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents. Further, substantially all of the assets of Odfjell Drilling Services Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the borrower's shares in Odfjell Partners Invest Ltd., Odfjell Drilling Technology Ltd., and Odfjell Platform Drilling AS, the shares owned by Odfjell Partners Invest Ltd., in Odfjell Well Services Norway AS, Odfjell Well Services AS, Odfjell Well Services Ltd., and Odfjell Well Services II Ltd., pledge granted by Odfjell Partners Invest Ltd., and Odfjell Well Services II Ltd., over (in aggregate) 100% of the membership interests in Odfjell Well Services Cooperatief U.A., and the shares owned by Odfjell Drilling Technology Ltd., in Odfjell Drilling Technology AS. In addition, Odfjell Drilling Ltd., has pledged 100 per cent of the shares in Odfjell Drilling Services Ltd., Odfjell Rig Owning Ltd., Odfjell Global Business Services AS and Odfjell Offshore Ltd., and Odfjell Rig Owning Ltd has pledged all its shares in Odfjell Drilling AS.

The loan is also secured with first priority assignments by Odfjell Drilling Services Ltd., and the guarantors (as listed above) of intercompany claims exceeding a certain threshold or term, as well as all accounts receivables, book debts, other debts, financial obligations or other amounts of other kind (including interest) owing, or which with the passage of time would become owing to the borrower and the guarantors.

Finally, the loan is secured by first priority floating charges over the assets of each of Odfjell Drilling Services Ltd., Odfjell Drilling Technology Ltd., Odfjell Well Services II Ltd., and Odfjell Partners Invest Ltd.

Note 14 > Other liabilities

Other non-current liabilities

USD thousands	2017	2016
Deferred revenue related to maintenance services provided to customers	5,331	903
Other non-current liabilities	-	619
Total other non-current liabilities	**5,331**	**1,522**

Other current liabilities

USD thousands	2017	2016
Derivative financial instruments (see note 11)	186	774
Prepayments from customers	14,380	25,511
Deferred revenue	8,344	3,388
Accrued salaries, holiday pay and employee bonus provisions	24,270	18,484
Other accrued expenses	15,325	19,006
Total other current liabilities	**62,505**	**67,163**

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Note 15 > Intangible assets

USD thousands	Goodwill 2017	Software 2017	Total 2017	Goodwill 2016	Software 2016	Total 2016
Cost						
At 1 January	18,786	18,457	37,243	18,383	17,038	35,421
Additions		1,067	1,067	-	1,072	1,072
Disposals		(1)	(1)			-
Currency translation differences	950	942	1,893	403	347	750
Cost as at 31 December	**19,736**	**20,465**	**40,201**	**18,786**	**18,457**	**37,243**
Accumulated amortisation and impairment						
At 1 January	-	4,234	4,234	-	1,621	1,621
Amortisation		2,875	2,875	-	2,643	2,643
Disposals		(1)	(1)			-
Currency translation differences		238	238	-	(31)	(31)
As at 31 December	-	7,345	7,345	-	4,234	4,234
Net book value at 31 December	**19,736**	**13,119**	**32,855**	**18,786**	**14,223**	**33,009**

Software - Global Standard integrated system
The Group has conducted an assessment at year-end to determine if there are any impairment indicators that might warrant a further review of the carrying value of the Global Standard system. No such indicators were found, therefore there has not been an impairment adjustment.

Impairment tests for goodwill
Goodwill is monitored by the management at the operating segment level. During 2017, as part of the reorganisation of the Group, goodwill of NOK 29 million was reallocated from the Drilling & Technology segment to the Mobile Offshore Drilling Units segment. The following is a summary of goodwill allocation for each operating segment:

USD thousands	Mobile Offshore Drilling Units 2017	Drilling & Technology 2017	Well Services 2017	Total 2017	Drilling & Technology 2016	Well Services 2016	Total 2016
At 1 January	-	14,568	4,218	18,786	14,256	4,127	18,383
Reallocation	3,383	(3,383)	-	-	-	-	-
Translation differences	171	566	213	950	313	90	403
Net book value at 31 December	**3,554**	**11,751**	**4,431**	**19,736**	**14,568**	**4,218**	**18,786**

The Drilling & Technology segment, as well as the Well Services segment, only consist of one Cash Generation Unit (CGU) each. The Mobile Offshore Drilling Units segment consist of Owned rigs and Management of other rigs. Only cash flow from Management of other rigs is used in the impairment test of goodwill, as the cash flow from Owned rigs is allocated to fixed assets.

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The prognosis for the EBITDA margin in 2018 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill for respective CGU's do not indicate any impairment as per 31.12.2017.

The key assumptions used for value-in-use calculations in were as follows:

	Mobile Offshore Drilling Units 2017	Drilling & Technology 2017	Well Services 2017	Drilling & Technology 2016	Well Services 2016
EBITDA margin in prognosis period	11% - 15%	4% - 6%	33% - 43%	2.5% - 8%	40% - 43%
Growth rate year 6 and forward	0.0%	0.0%	0.0 %	0.0%	0.0%
Weighted Average Cost of Capital (WACC)	8.6 %	7.4 %	8.0 %	7.5%	7.9%

Sensitivity analysis for goodwill impairment test as at 31.12.2017
The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively for each of the segments. Reducing EBITDA margin by five percentage points indicated an impairment write-down of USD 7 million, while reducing EBITDA margin by ten percentage points indicated an impairment write-down of USD 12 million, both in the Drilling & Technology segment. None of the other scenarios indicated any impairment write-down of goodwill as at 31.12.2017.

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Note 16 > Tangible fixed assets

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Machinery & equipment	Total fixed assets
Cost					
At 1 January 2017	2,540,212	221,731	375,059	13,398	3,150,401
Additions	17,017	6,466	4,672	247	28,401
Disposals	-	(9,701)	(3,298)	(4,487)	(17,486)
Currency translation differences	-	183	3,893	677	4,753
Cost as at 31 December 2017	2,557,229	218,679	380,327	9,835	3,166,069
Accumulated depreciation and impairment					
At 1 January 2017	859,248	96,839	270,032	11,529	1,237,648
Impairment loss	-	-	-	-	-
Depreciation	87,863	42,672	26,926	1,100	158,561
Disposals	-	(9,701)	(2,832)	(4,414)	(16,947)
Currency translation differences	-	(0)	3,809	606	4,414
As at 31 December 2017	947,111	129,810	297,935	8,820	1,383,676
Net book value at 31 December 2017	1,610,118	88,869	82,392	1,015	1,782,393

Accumulated impairment that may qualify for reversal in a later period related to the Mobil drilling units Deepsea Atlantic and Deepsea Stavanger amount to USD 219 million at 31 December 2017.

	Mobile drilling units	Periodic maintenance	Well Services equipment	Machinery & equipment	Total fixed assets
Cost					
At 1 January 2016	2,529,396	308,471	371,261	18,047	3,227,174
Additions	11,214	10,585	8,243	115	30,157
Disposals	(425)	(97,325)	(6,146)	(4,528)	(108,425)
Currency translation differences	28	-	1,702	(235)	1,495
Cost as at 31 December 2016	2,540,212	221,731	375,059	13,398	3,150,401
Accumulated depreciation and impairment					
At 1 January 2016	688,389	150,235	242,683	14,502	1,095,810
Impairment loss	80,000	-	-	-	80,000
Depreciation	91,107	43,929	31,343	1,701	168,079
Disposals	-	(97,325)	(5,613)	(4,508)	(107,446)
Currency translation differences	(248)	-	1,619	(166)	1,204
As at 31 December 2016	859,248	96,839	270,032	11,529	1,237,648
Net book value at 31 December 2016	1,680,964	124,892	105,027	1,870	1,912,754
Useful lifetime	5 - 37.5 years	5 years	3 - 10 years	3 - 5 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	

Basis for depreciation/ allocation of expenditure
The total expenditures on the rigs Deepsea Bergen, Deepsea Atlantic, Deepsea Stavanger and Deepsea Aberdeen are allocated into groups of components that have different expected useful lifetimes. Periodic maintenance is one of the allocated components. The different groups of components are depreciated over their expected useful lifetimes.The main group of components is expected to have an economic useful lifetime of 30 years.

Deepsea Atlantic is depreciated using the straight line method from 4 August 2009. Deepsea Stavanger is also depreciated using the straight line method from 16 September 2010. Deepsea Aberdeen is depreciated using the straight line method from 21 April 2015.

Deepsea Bergen is depreciated using the straight line method.The main group of components are expected to have an economic useful lifetime of 37.5 years.

When calculating depreciation, estimated residual value is taken into consideration for all mobile offshore drilling units.

Impairment tests mobile drilling units
The Group has during 2017 identified impairment indicators for the MODU segment such as:
- Low demand for drilling services and low tender activity
- Soft rig market in general
- Low rig rates

Due to identified impairment indicators for the MODU segment, the Group has conducted impairment tests for its mobile drilling units. Each mobile drilling units has been identified as seperate CGU's (Cash Generating Unit).

Odfjell Drilling performs impairment tests on a quartely basis whenever impairment indicators are identified. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each unit's recoverable amount. Please refer to Note 2 for further information about the estimates and judgements applied. In the sensitivity analysis, rig broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller is used as a basis for fair value less cost to sell. The estimated impairment in the different scenarios are based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell.

Based on impairment tests performed as at 31 December 2017, the Group has not identified any impairment for rigs, or reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger.

Mobile Drilling Unit (CGU)	Deepsea Atlantic	Deepsea Stavanger
Recoverable value (value in use) 31.12.2017	489,385	505,473

The following key assumptions have been used when conducting impairment tests for mobile drilling units:

Key assumptions	Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Bergen
	6G Semi	6G Semi	6G Semi	3G semi
Weighted Average Cost of Capital (WACC)	10.4%	10.4%	10.4%	10.1%
Firm contract days	424	853	1,551	209
Firm contract day rates (weighted average)	295	278	433	137
Future normalised base case day rates - at full market recovery	435	435	435	225
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Bergen
Estimated impairment write-down if:					
- WACC increased by	1 pp	40,000	42,000	-	-
- WACC increased by	2 pp	76,000	79,000	45,000	-
- Day rate level decreased by	5%	37,000	44,000	-	500
- Day rate level decreased by	10%	75,000	88,000	16,000	5,000
- Normalised opex level increased by	5%	20,000	20,000	-	-
- Normalised opex level increased by	10%	40,000	40,000	-	4,000
- Financial utilisation in normalised period decreased by	1 pp	8,000	10,000	-	-
- Financial utilisation in normalised period decreased by	2 pp	16,000	20,000	-	-
- Financial utilisation in normalised period decreased by	3 pp	24,000	31,000	-	500

Drilling contract status as per 31 December 2017
Deepsea Atlantic is on contract for Statoil at the Johan Sverdrup field. The drilling contract has a dayrate of USD 295 thousand and a firm period of three years, ending 28 February 2019. The contract includes 6 option periods of 6 months each after the firm period.

After concluding its contract with Wintershall on the Maria field, Deepsea Stavanger continued directly on its current contract with Aker BP in February 2018. The contract has a dayrate of USD 250 thousand and will continue to early Q4 2018. The rig will thereafter mobilise to South Africa to drill one well for Total at an average dayrate of USD 305 thousand before it again returns to Norway for a new 12 months contract with Aker BP at USD 279 thousand. This contract will take the operations into Q2 2020.

Deepsea Bergen is on a one well contract with OMV on the NCS at a dayrate of USD 120 thousand expected to end in Q1 2018. The rig will thereafter continue operations for Statoil on the NCS at various dayrates between USD 135 thousand and USD 190 thousand subject to options being exercised. Presently, Statoil has exercised two of in total four options taking operations into Q4 2018. The last two options may potentially take operations to end of Q2 2019. In addition, OMV has a final option for one high pressure high tempature well to be drilled in 2 half of 2019 at a dayrate of USD 200 thousand.

Deepsea Aberdeen is on a 7-year drilling contract which started in April 2015 with British Petroleum West of Shetland. The drilling contract has a dayrate of GBP 77 thousand plus USD 330 thousand.

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Note 17 > Post-employment benefits

The Group has occupational pension plans in several countries established partly as defined benefit plans (in Norway), partly as multi-employer defined benefit plans accounted for as defined contribution plans (in Norway) and partly as defined contribution plans (in Norway and other countries). The pension plans are measured and presented according to IAS 19.

A number of the Norwegian subsidiaries in the Group are required to have a civil service pension scheme according to the Norwegian Act relating to mandatory occupational pensions. These subsidiaries have pension schemes in accordance with the requirements in this Act.

Pension obligations
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

Mortality index used in actuarial calculations is K2013.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension plans
The Group has funded defined benefit pension schemes in five Norwegian companies covering a total of 461 active members and 75 pensioners as at 31 December 2017 (496 active members and 73 pensioners as at 31 December 2016). The scheme entitles employees to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company.

In addition to the pension obligations that arises from the funded defined benefit plans, the Group's Norwegian companies have unfunded defined benefit obligations related to pensions and early retirement pensions. The early retirement pensions entitles staff to benefits (about NOK 94,000 a year) from the company from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67, if they retire and meet requirement to receive CPA (see below).

The Group has contractual pension agreement (CPA) schemes in Norway established in multi-employer plans. These multi-employer plans are defined benefit plans, but the Group does not have access to the necessary information for the accounting years 2017 and 2016 required to account for these plans as defined benefit plans, and the plans are therefore accounted for as defined contribution plans.

In 2016 there were several significant events affecting the pension liabilities and pension expenses. With effect from 1 January 2016 the disability pension plan was adjusted to comply with new regulations in Norway. This caused a release of obligation of USD 6 million.

With effect from 1 August 2016 three defined benefit pension plans were closed and substituted by defined contribution plans. The net release of pension obligation amounted to USD 19 million. In addition downsizing and other personnel changes caused net release of pension obligations of USD 4 million, mainly related to unfunded pension plans.

Amounts recognised in the balance sheet:

USD thousands	2017	2016
Present value of funded obligations	44,713	41,073
Fair value of plan assets	34,772	30,623
Deficit of funded plans	9,940	10,451
Present value of unfunded obligations	8,144	7,104
Total deficit of defined benefit pension plans	**18,084**	**17,554**

	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
USD thousands	2017	2017	2017	2016	2016	Total
At 1 January	**48,177**	**(30,623)**	**17,554**	**146,785**	**(104,149)**	**42,636**
Current service cost	3,981		3,981	9,030		9,030
Gains on plan amendment, curtailment and settlement	-		-	(29,427)		(29,427)
Interest expense/ (income)	1,052	(606)	446	2,836	(1,778)	1,058
Total amount recognised in profit or loss	**5,033**	**(606)**	**4,427**	**(17,561)**	**(1,778)**	**(19,339)**
Remeasurements:						
Loss from change in discount rate	(1,781)	-	(1,781)	8,762	-	8,762
Gain from change in other financial assumptions	3,355	(67)	3,288	(346)	(502)	(849)
Experience (gains)/loss	(2,015)	554	(1,461)	(224)	(2,673)	(2,897)
Investment management cost	-	304	304	-	1,018	1,018
Total amount recognised in other comprehensive income	**(441)**	**791**	**350**	**8,192**	**(2,158)**	**6,034**
Exchange differences	2,459	(1,577)	882	6,041	(4,284)	1,757
Contributions:						
Employers	(547)	(3,880)	(4,427)	(1,626)	(11,532)	(13,158)
Payments from plans:			-			-
Benefit payments	(1,824)	1,123	(701)	(1,876)	1,500	(376)
Settlements	-	-	-	(91,777)	91,777	-
At 31 December	**52,857**	**(34,772)**	**18,084**	**48,177**	**(30,623)**	**17,554**

The significant actuarial assumptions were as follows:	2017	2016
Discount rate	2.30%	2.10%
Salary growth rate	2.50%	2.25%
Expected growth in G (base social security amount)	2.25%	2.00%
Pension growth rate	0.4% - 2.5%	0,0% - 2,25%

The fair value of plan assets is disaggregated by class as follows	31.12.2017	31.12.2016
Shares	10%	6%
Alternative investments	0%	0%
Short term bonds	14%	12%
Money market	12%	21%
Long term bonds	40%	31%
Loans & Receivables	14%	21%
Real estate	10%	9%
Other	1%	1%

Estimated premium payments to funded defined benefit obligations in 2018 amounts to USD 4 million.

The sensitivity of the defined benefit obligation to changes in the weigthed principal assumptions are:

	Change in assumption by:		Impact on Present value of obligation:		Change in assumption by:		Impact on Present value of obligation:	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	+0.5%	+0.5%	(3,230)	(2,965)	-0.5%	-0.5%	3,558	3,306
Salary growth rate	+0.5%	+0.5%	2,756	2,584	-0.5%	-0.5%	(2,943)	(2,683)
Pension growth rate	+0.5%	+0.5%	1,353	1,373	-0.5%	-0.5%	(1,238)	(17)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Total pension expenses are decomposed as per below:

USD thousands	2017	2016
Pension expenses (-net gain) from defined benefit scheme included in personnel expenses	3,981	(20,397)
Pension expenses from defined contribution schemes	8,478	5,958
Pension expenses from multi-employer plans accounted for as defined contribution schemes	3,462	3,824
Total pension expenses included in personnel expenses	**15,921**	**(10,616)**

See also note 6 for further information regarding personnel expenses.

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Note 18 > Share capital and shareholder information

Share capital and shareholders

	Number	Nominal value	Book value
Shares as at 31 December 2017	198 736 900	USD 0.01	1,987,369

As per 31 December 2017 Odfjell Drilling Ltd., has a share capital of USD 1,987,369.
The number of shares issued in Odfjell Drilling Ltd. as per 31 December 2017 is 198,736,900 with par value of USD 0.01.
All shares carry equal voting rights.

Largest shareholders at 31 December 2017	Holding	% of total
Odfjell Partners Ltd.	142,000,000	71.45%
Deutsche Bank AG	6,491,040	3.27%
J.P.Morgan Chase Bank N.A. London	5,863,322	2.95%
State Street Bank and Trust Co.	3,065,655	1.54%
Fidelity Select Portfolios: Energy	2,880,900	1.45%
RBC Investor Services Trust	2,000,000	1.01%
State Street Bank and Trust Co.	1,520,106	0.76%
Fidelity Select Portfolios: Energy	1,434,080	0.72%
J.P.Morgan Chase Bank N.A. London	1,314,340	0.66%
Lieungh, Simen	952,381	0.48%
Eika Norge	940,485	0.47%
VPF Nordea Kapital	913,001	0.46%
Citybank, N.A.	912,238	0.46%
Verdipapirfondet DNB SMB	835,323	0.42%
VPF Nordea Avkastning	740,849	0.37%
The Bank of New York Mellon SA/NV	678,923	0.34%
Morgan Stanley and Co Intl Plc	664,719	0.33%
FSP - Natural Resources	590,700	0.30%
Fidelity Advisor Natural Resources	564,256	0.28%
Goldman Sachs International	523,016	0.26%
Total 20 largest shareholders	**174,885,334**	**88.00%**
Other shareholders	23,851,566	12.00%
Total shareholders	**198,736,900**	**100.00%**

Helene Odfjell controls, through Odfjell Partners Ltd., 71.45% of the shares and the CEO controls 0.48% of the shares in Odfjell Drilling Ltd.

The chairman of the board of directors, Carl-Erik Haavaldsen, has a significant ownership in Cenor Ltd., which owns 19,047 shares in Odfjell Drilling Ltd.

Group Financial Statements

Note 19 > Other reserves

USD thousands	Financial instruments	Translation differences	Acquisition non-controlling interests	Total
At 1 January 2016	(1,010)	(78,178)	(34,496)	(113,684)
Financial instruments, under hedge accounting	470	-	-	470
Currency translation difference - Group	-	(1,988)	-	(1,988)
Currency translation difference - Joint Ventures	-	299	-	299
At 31 December 2016	**(539)**	**(79,867)**	**(34,496)**	**(114,902)**
Financial instruments, under hedge accounting	353	-	-	353
Currency translation difference - Group	-	7,507	-	7,507
Currency translation difference - Joint Ventures	-	2,024	-	2,024
At 31 December 2017	**(186)**	**(70,336)**	**(34,496)**	**(105,019)**

Note 20 > Financial risk management

Financial risk factors
The Group is exposed to a range of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. To some extent, the Group uses derivative financial instruments to reduce certain risk exposures.

Risk management is carried out on a Group level. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd. has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

a) Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.
With regular forecasts and liquidity analysis updates, the Group will ensure sufficient available liquidity to fulfill its duties at loan maturity, without unacceptable loss or risk of damaging the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's cash flow forecasting is performed by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group Treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The Group had no undrawn credit facilities as of 31 December 2017

The liquidity risk is connected with the increased market risk and increased re-contracting risk for mobile drilling units. The management continuously focuses on securing new profitable contracts for the Group's mobile drilling units to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

The Group has during the recent years conducted cost reduction programs such as reducing onshore manning and cost base, reducing investments and other cost reducing initiatives that has improved liquidity and reduced cost going forward, including better optimized working capital.

The Group's refinancing risk is diversified with each loan facility maturing at different times until November 2021. Successful refinancing of each facility may be dependent on contract backlog, asset values and overall financial market conditions. The amended and extended Deepsea Bergen facility matures 30 September 2020, subject to termination options for the lenders, if the borrower is unable to document necessary backlog for Deepsea Bergen. Should the Deepsea Bergen facility be repaid or prepaid with cash other than excess cash from the operation of the unit, then any Odfjell Invest lender may require the same amount prepaid under the Odfjell Invest facility. See note 12 for further information about maturity.

b) Market risk
Market risk is the risk of a change in market prices and demand, as well as changes in currency exchange rates and interest levels.

The re-contracting risk for the Group's wholly owned mobile drilling units is limited in 2018, as all 6th generation units has medium to long-term contracts.

Deepsea Bergen has secured contracts including options that may, if all options are called, take the rig with operations until mid 2019.

Deepsea Atlantic has a re-contracting risk for the period after its contract with Statoil, which is ending in first quarter of 2019.

i) Rig rates
The Group has a drilling contract for Deepsea Atlantic with Statoil Petroleum AS at a fixed rate. The contract consists of a USD element and a NOK element. Statoil has options to extend with 6 x 6 months, the rate escalation for each option period being dependent on the oil price at the time of execution.

Deepsea Bergen has a one well drilling contract with OMV Norge in first quarter 2018 at a fixed rate. The rig will thereafter start operations for Statoil Petroleum AS also at a fixed rate, however the options are priced differently. Both contracts consist of a USD element and a NOK element.

The Group had a drilling contract with Wintershall for Deepsea Stavanger at a fixed rate in USD ending in beginning of February 2018. The unit will thereafter start operations for Aker BP at fixed rate until October 2018 before the unit leaves for South Africa and operations for Total South Africa. The Aker BP contract has a USD element and a NOK element, and the Total South Africa contract has a USD element only.

After end of contract in South Africa, the rig will return to Norway for a 12 months operations with Aker BP at a fixed rate. Also this contract consists of a USD element and a NOK element.

The Group has a long-term contract with BP Exploration Operating Company Ltd. for Deepsea Aberdeen which ends in 2022. The rate consists of a USD element and a GBP element, the latter is being annually escalated to reflect the increased costs of staffing and maintenance.

ii) Foreign exchange risk
The consolidated material subsidaries' reporting and functional currencies are USD, NOK, GBP and EUR.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are normally in USD while most of the operating expenses are in local currency.

If USD is weakened by 10 % against NOK on the balance-sheet date, we can expect the following effect on profit before tax in USD thousands:

	2017	2016
Current receivables	6,251	4,793
Cash	6,512	7,298
Current liabilities	(10,780)	(10,271)
Net effect on profit before tax	1,983	1,820

The Group had 12 foreign exchange contracts at 31 December 2017. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the foreign exchange contracts at the end of the year. The fair value of the foreign exchange contracts is confirmed by the financial institution with which the company has entered into the agreements.

During 2017 a gain of USD 0.6 million was recognised as other comprehensive income relating to foreign exchange contracts qualified for hedge accounting, at the same level as a gain of USD 0.6 million in 2016.

iii) Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure.

The Group had four interest rate swap agreements at 31 December 2017. Estimated fair value calculations from external financial institutions have been used to determine the fair value of the swap agreements at the end of the year. The fair value of the interest swap agreements is confirmed by the financial institution with which the company has entered into the agreements.

During 2017 a gain from change in estimated fair values of interest rate swaps were recognised at USD 0.5 million in the income statement as compared to a gain of USD 0.7 million in 2016. In addition, a net loss of USD 0.2 million was classified as a component of the equity as of 31 December 2017 relating to interest rate swaps qualified for hedge accounting, at the same level as a loss of USD 0.2 million in 2016.

The Group monitors its interest rate exposure on a dynamic basis. The Group calculates the impact on profit and loss of a defined interest rate shift.
The result of the calculation on sensitivities returns the following expected values (incl. interest rate swaps):
- If interest is increased by 1.0 %, the effect will be an increase in financing costs of USD 10.8 million for 2017, compared to USD 11.4 million in 2016.

b) Credit risk
The Group operates in three core business areas: Mobile offshore drilling units; (MODU), Drilling & Technology and Well Services (OWS). The market for the Group's services is the offshore oil and gas industry, and the customers consist primarily of major integrated oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of the customers and generally does not request material collateral. Reserves for potential credit losses are maintained when necessary. With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, marketable securities, other receivables and certain derivatives instruments receivable amount, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the Group believes this risk is limited as the counterparties mainly have a high credit quality.

During the 2017, the Group has continued high focus on credit risk in general related to the uncertain market conditions. The maximum exposure regarding trade receivables is the carrying amount of USD 137 million.

Group Financial Statements

Note 21 > Capital disclosures

Capital Management
The primary objective of the Group`s capital management is to ensure that it maintains required capital ratios and liquidity available to support the business areas. Capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in financial markets. Capital management also comprise securing the company to be in compliance with covenants on interest bearing debt. Reference is made to Note 12 which disclose information about covenants on long term interest bearing liabilities.

The Group will manage the capital structure and make adjustments to it, to maintain an optimal structure adapted to current economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payments, buy treasury shares, return capital to shareholders or issue new shares.

Deposits / placements
The liquidity management has four main objectives:
- Matching of surplus funds against borrowing requirements.
- Secure a high level of liquidity (a targeted minimum of two months cash flow) in order to meet future plans of the Odfjell Drilling.
- Limitation of credit risks.
- Maximise return on liquid assets.

Accordingly, investments may only be made in securities with a rating of Investment grade, BAA (Moodys) , BBB- (Standard and Poors and Fitch IBCA) or better.

For companies not rated by international rating bureaus, investments may be made in accordance with DNB's rating BBB or better.

A list of counter party exposure limits shall be established by the CFO, and be reported to the Board of Odfjell Drilling on a yearly basis.

The following instruments are allowed for short term placements;
- Deposits in banks
- Loans to companies/institutions/funds (like fixed or floating rate bonds, senior or subordinated debt)
- Certificates
- Money-market funds

Working Capital
The company's policy is to have working capital corresponding to two months' operating expenses.

Interest Rate Risk
The administration, acting through the CFO, is authorised to hedge up to 50% of the interest payments of the external financing. Status is to be reported to the Board on a quarterly basis.

	2017	2016
Equity	767,057	722,086
Total assets	2,138,228	2,263,592
Equity ratio	**36%**	**32%**
Cash and cash equivalents excl.restricted capital	136,904	175,860
Available drawing facilities	-	-
Total available liquidity	**136,904**	**175,860**

Note 22 > Contingencies

There are no material contingencies to be disclosed as at 31 December 2017.

Note 23 > Commitments

Capital Commitments
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

USD thousands	2017	2016
Rig investments*	4,674	16,310
Rental and casing equipment, due in 1 year	2,814	1,953
Total	**7,489**	**18,263**

*Rig investments as per 31.12.16 is mainly for Deepsea Stavanger investments before start-up of Wintershall contract in 2017.

Operating lease commitments
The Group leases various offices under operating lease arrangements. The lease terms are between 1 and 13 years, and the majority of the lease arrangements are renewable at the end of the lease period at market rates.

In addition the Group has operating lease commitments related to equipment etc. with lease terms between 1 and 5 years.

The future aggregate minimum lease payments under operating leases are as follows:

USD thousands	2017	2016
No later than 1 year	8,130	7,485
Later than 1 year and no later than 5 years	22,648	23,881
Later than 5 years	35,770	38,978
Total	**66,548**	**70,345**

Note 24 > Events after the reporting period

The following material events have occurred after balance date:

Well Services awarded contract with Kuwait Oil Company
Well Services was awarded a contract with Kuwait Oil Company (KOC) in January 2018 to provide tubular running services, downhole drilling tools, drillpipe, pressure control and wellbore clean up equipment for all Kuwait Oil Company's drilling and workover operations. Odfjell Well Services was one of three successful bidders selected to provide these services both onshore and offshore.

The firm duration of the contract is 5 years, based on call off services and is expected to commence in January 2018.

Statoil exercised Deepsea Bergen options
Statoil exercised, in December 2017 and January 2018, respectively, two of four options in Deepsea Bergen's drilling contract. The first option is for 2 wells with an expected duration of 80 days and the second option is for 3 wells with and expected duration of 75 days taking operations into mid second half of 2018. Estimated added firm backlog for the decleared options are 25 USD million.

Statoil awarded Deepsea Atlantic conditional Letter of Intent
On 16 April 2018, Statoil awarded a conditional Letter of Intent (LOI) for a drilling contract for Deepsea Atlantic for 6 firm wells with an estimated total duration of 18 months, scheduled to commence in early first quarter 2019. The contract contains the option to continue operations for Statoil after the firm period, and such options shall be based on market pricing. The contract value is estimated to USD 160 million (including some third party services, e.g. casing running services by Odfjell Well Services) plus potential income from the contract incentive model.

There have been no other events after the balance date with material effect for the quarterly financial statements ended 31 December 2017.

Note 25 > Interests in other entities - Material subsidiaries

The group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Name of entity	Country of incorporation	Place of business	Functional currency	Ownership interest held by group - % 2017	2016	Principal activities
Odfjell Offshore Ltd.	Bermuda	Bermuda	USD	100	100	Holding company
Odfjell Rig Owning Ltd.	Bermuda	Bermuda	USD	100	100	Holding company
- Odfjell Invest Ltd.	Bermuda	Bermuda	USD	100	100	Holding company
-- Deep Sea Atlantic Pte.	Singapore	Singapore	USD	-	100	Previous rig owning
-- Deep Sea Stavanger Pte. Ltd.	Singapore	Singapore	USD	-	100	Previous rig owning
-- Deep Sea Atlantic (UK) Ltd.	UK	United Arab Emirates	USD	100	-	Rig owning
-- Deep Sea Stavanger (UK) Ltd.	UK	United Arab Emirates	USD	100	-	Rig owning
- Odfjell Rig II Ltd.	Bermuda	Bermuda	USD	100	100	Rig owning
- Odfjell Rig III Ltd.	Bermuda	Bermuda	USD	100	100	Holding company / Previous rig owning
-- Odfjell Drilling Shetland Ltd.	UK	United Arab Emirates / UK	USD	100	100	Rig owning / Drilling operations
- Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
-- Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
-- Odfjell Invest AS	Norway	Norway / UK	NOK	100	100	Drilling operations
-- Deep Sea Drilling Company I AS	Norway	Norway	NOK	100	100	Drilling operations
-- Deep Sea Management International AS	Norway	International	USD	100	100	Crewing
Odfjell Drilling Services Ltd.	Bermuda	Bermuda	USD	100	100	Holding company
- Odfjell Platform Drilling AS	Norway	Norway	NOK	100	-	Drilling operation and maintenance of fixed installations
-- Odfjell Drilling Management AS	Norway	Norway	NOK	100	100	
-- Odfjell Drilling (UK) Ltd.	UK	UK	GBP	100	100	
- Odfjell Partners Invest Ltd.	Bermuda	United Arab Emirates	USD	100	100	Holding company / Well services equipment owner
-- Odfjell Well Services II Ltd.	Bermuda	Kurdistan / Iran	USD	100	100	Well services
-- Odfjell Well Services Cooperatief U.A.	Netherlands	Europe	EUR	100	100	Well services
--- Odfjell Well Services SRL	Romania	Europe	RON	100	100	Well services
--- Odfjell Well Service (UK) Ltd.	UK	UK	GBP	100	100	Well services
-- Odfjell Well Services Norway AS	Norway	Norway	NOK	100	100	Well services
-- Odfjell Well Services AS	Norway	Norway	NOK	100	-	Well services
-- Odfjell Well Services Ltd.	British Virgin Islands	Middle East	USD	100	100	Well services
- Odfjell Drilling Technology Ltd.	Bermuda	Bermuda	USD	100	100	Holding company
-- Odfjell Drilling Technology AS	Norway	Norway	NOK	100	100	Engineering
-- Odfjell Drilling Philippines Corporation	Philippines	Philippines	PHP	100	100	Group Business Services
Odfjell Global Business Services AS	Norway	Norway	NOK	100	-	Group Business Services

Note 26 > Investments in joint ventures and associates

USD thousands 2017						
Joint ventures and associates	Deep Sea Metro Ltd.	Guarapari Drilling BV	Itaoca Drilling BV	Siri Drilling BV	Robotic Drilling Systems AS	Total
Book value of equity at 01.01.2017	-	-	-	-	8,217	8,217
Share of profits	-	-	-	-	(1,485)	(1,485)
Divestments during the year	-	-	-	-	(8,755)	(8,755)
Currency translation differences	-	-	-	-	2,024	2,024
Book value of equity at 31.12.2017	-	-	-	-	-	-
Interest held at 31.12.2016	0%	20%	20%	20%	0%	
Share of profit/loss from joint ventures classified as operating	-	-	-	-	-	-
Share of profit/loss from joint ventures other	-	-	-	-	(1,485)	(1,485)
Total share of profit / loss from joint ventures	-	-	-	-	**(1,485)**	**(1,485)**

USD thousands 2016						
Joint ventures and associates	Deep Sea Metro Ltd.	Guarapari Drilling BV	Itaoca Drilling BV	Siri Drilling BV	Robotic Drilling Systems AS	Total
Book value of equity at 01.01.2016	7,900	-	-	-	6,519	14,419
Repayment of capital	(7,920)	-	-	-	-	(7,920)
Share of profits	20	-	-	-	1,398	1,418
Currency translation differences	-	-	-	-	299	299
Book value of equity at 31.12.2016	-	-	-	-	**8,217**	**8,217**
Interest held at 31.12.2016	40%	20%	20%	20%	38.36%	
Share of profit/loss from joint ventures classified as operating	20	-	-	-	-	20
Share of profit/loss from joint ventures other	-	-	-	-	1,398	1,398
Total share of profit / loss from joint ventures	**20**	-	-	-	**1,398**	**1,418**

Profit or loss, aggregated assets and liabilities in its joint ventures, are as follows:

USD thousands 2017				
	Guarapari Drilling BV	Itaoca Drilling BV	Siri Drilling BV	Total
Assets	12,393	10,399	87	22,879
Liabilities	593,392	244,944	196,533	1,034,869
Revenues	-	-	-	-
Profit / (Loss)	(47,111)	(23,341)	(20,697)	(91,149)

USD thousands 2016						
Joint ventures and associates	Deep Sea Metro Ltd.	Guarapari Drilling BV	Itaoca Drilling BV	Siri Drilling BV	Robotic Drilling Systems AS	Total
Assets	374,854	15,725	10,642	513	9,136	410,870
Liabilities	439,563	548,869	221,486	175,883	2,256	1,388,057
Revenues	16,179	-	-	-	1,914	18,093
Profit / (Loss)	(85,602)	(604,741)	(222,499)	(188,433)	(1,624)	(1,102,899)

Deep Sea Metro Ltd. Group - Divested 14 December 2017
Deep Sea Metro Ltd**.** Group was up until March 2017 controlled by Odfjell Offshore Ltd., (40%) and bond holders (60%) and managed by the joint venture agreement signed in 2008. Deep Sea Metro Ltd., is incorporated in Bermuda. The value of the investment in the joint venture; Deep Sea Metro Ltd., was written down in 2015 due to the assessed impairment in value of the drillships Deepsea Metro I and Deepsea Metro II. USD 7.9 million was received as capital repayment in 2016.
As part of a larger restructuring of Golden Close Maritime Corp. Ltd. ("Golden"), the owner of Deepsea Metro I, Deep Sea Metro Ltd.'s ownership in Golden was diluted to approximately 0.0022%, effective from 29 March 2017. In December 2017 Deep Sea Metro Ltd. purchased Odfjell Drilling's shares in the company, thereby terminating Odfjell Drilling's ownership in Deep Sea Metro Ltd.

Single Purpose Companies (SPC's)
Guarapari Drilling BV, Itaoca Drilling BV and Siri Drilling BV are all SPC's related to the Sete newbuild projects in Brazil. The Group has a owner share of 20% in each SPC. See further comments below.

Odfjell Drilling Brasil BV and SPC's
In June 2015 the Group increased its investment in Odfjell Drilling Brasil BV to 100 % with the purchase of the remaining 50 % of the outstanding shares from Galvão Oil & Gas Holding for EUR 1. The now wholly owned company is affected by the risk and uncertainty related to the UDW newbuild program in Brazil. Odfjell Drilling Brasil BV has suspended further equity contributions into the Sete newbuild projects until the future for this program is settled.
The estimate for the value of the investments in the SPC's., recognised as per 31 December 2017, is USD 0 million. The Group's investments in the SPC's. are recognised in the financial statements with management's best estimate for the value of the investments. Management has included the uncertainties and risk, liquidity and financial position of the SPC's when assessing the estimate of the investment in SPC's.

The Group has no oblligation to further finance the SPC's.

Robotic Drilling Systems AS - Divested 31 August 2017
On the 4th of April, 2014 Odfjell Drilling Technology Ltd. became a major shareholder in Robotic Drilling Systems AS ("RDS") through an investment of NOK 50 million in a share issue in RDS. Through 2015, Odfjell Drilling Group has increased its share in RDS through the convertion of a sub-ordinated loan and ordinary share issue for of a total of NOK 35 million. During 2016 and 2017 the Group's owner share was reduced due to capital injections from other shareholders. The shareholders of RDS entered at 31 August 2017 into an agreement to sell all shares in RDS to Nabors Industries. As consideration for the shares, Odfjell Drilling received USD 18 million. The transaction generated a gain of USD 9 million presented as "Other gains and losses" in the consolidated income statement.

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Note 27 > Transactions with related parties

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 71.45% of the shares. Helene Odfjell controls Odfjell Partners Ltd. Simen Lieungh controls 0.48% of the shares in the company as per 31 December 2016.

The Group had the following material transactions with related parties:

USD thousands	2017	2016
Sales of services:		
- Robotic Drilling System AS	20	33
- Deep Sea Metro Ltd. Group	3,770	30,487
Total	**3,791**	**30,520**
Operating expenses:		
- Kokstad Holding AS group (related to main share holder)	6,392	6,293
- Robotic Drilling System AS	-	91
Total	**6,392**	**6,384**

At 31 December 2017 the group has no shares in Robotic Drilling System AS, nor in Deep Sea Metro Ltd. Transactions up until divestments are included in table above.

Key management compensation
Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown in Note 28 - Remuneration.

The Group had the following receivables and liabilities with related parties:

USD thousands	2017	2016
Current receivables:		
- Robotic Drilling System AS (divested 31 August 2017)	-	4.24
- Deep Sea Metro Ltd. Group (divested 14 December 2017)	-	1,840
Total	**-**	**1,844**
Current liabilities:		
- Kokstad Holding AS group (related to main share holder)	647	-
- Robotic Drilling System AS (divested 31 August 2017)	-	65.00
- Deep Sea Metro Ltd. Group (divested 14 December 2017)	-	11,875
Total	**647**	**11,940**

Commitments towards related parties:
The Group leases various offices under operating lease agreements. The lease terms are between 1 and 30 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under operating leases with related parties are as follows:

USD thousands	2017	2016
No later than 1 year	7,685	6,011
Later than 1 year and no later than 5 years	22,506	22,568
Later than 5 years	35,770	38,978
Total	**65,962**	**67,557**

Note 28 > Remuneration to the Board of Directors and key executive management

	Simen Lieungh (CEO)		Atle Sæbø (CFO)		Total	
USD thousands	2017	2016	2017	2016	2017	2016
Salary	607	597	303	294	910	891
Bonus	121	119	60	831	181	950
Pension premium	12	10	18	18	30	28
Other remuneration	46	26	21	25	67	51
Total	785	753	402	1,168	1,188	1,921

Board of non executive directors:

USD thousands	2017	2016
Carl-Erik Haavaldsen	57	59
Helene Odfjell	27	30
Kirk L. Davis	27	30
Henry Hamilton III	27	30
Bengt Lie Hansen	27	30
Total remuneration Board of non-executive directors	166	178

Note 29 > Earnings per share

The basic and diluted earnings per share are the same, as the Company has no convertible bond loan or stock option plan. Earnings per share is calculated as net result allocated to shareholders for the year divided by the weighted average number of outstanding shares excluding shares owned by the company.

	2017	2016
Profit/ (Loss) attributable to equity holders of the company	35,353	(63,694)
Weighted average number of ordinary shares in issue	198,736,900	198,736,900
Earnings per share	0.18	(0.32)

Group Financial Statements

Note 31 > Accounting principles

General information

Odfjell Drilling Ltd., and its subsidiaries (together 'the Group') operates mobile offshore drilling units in addition to providing well services and drilling & technology services.

Odfjell Drilling Ltd., is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2017 comply with IFRS as endorsed by EU.

The consolidated financial statements ended 31 December 2017 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. The assessment regarding the going concern assumption is disclosed in note 2.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following:
- available-for-sale financial assets and derivative instruments, which are measured at fair value, and
- defined benefit pension plans - plan assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

New and amended standards and interpretations effective after 1 January 2017 that have been adopted by the Group

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the information for both the current and the comparative periods in Note 12.

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016 -Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 *Financial instruments,* addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The financial assets held by the group include:
- derivatives currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under IFRS 9.

Accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurment of its financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the group's derivatives will continue to be measured on the same basis under IFRS 9. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principle-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified as amortised cost, debt instruments measured as FVOCI, contracts assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The group has confirmed that its impairment provisions as at 31 December 2017 will not be affected by the new model.

The standard must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

IFRS 15 *Revenue from contracts with customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The group has revenues from rendering of services related to day-rate based drilling contracts, day-rates from management drilling contracts and other service contracts.
Today these services are recognised when the services are performed. According to the new standard these revenues streams will continue to be recognised over time.

Management has assessed the effects of applying IFRS 15 Revenue from contracts with customers on the group's financial statements and has identified the following areas that will be affected:

- Accounting for lump sum fees for mobilisation and demobilisation
Both day-rate based and lump sum fee revenues are currently recognised ratably over the contract period . Under IFRS 15 these fees will be recognised when control over the service is transferred to the customer, i.e. during the actual drilling period. This implies that no revenue is recognised in the mobilisation and demobilisation period.

- Accounting for certain costs incurred in fulfilling a contract
The material amounts are related to mobilisation costs. Currently, mobilisation costs incurred as part of a contract are capitalised as receivable and recognised as expense over the contract term. As explained above, under IFRS 15 the expense period will change from contract period to actual drilling period.
Also, under IFRS 15 all costs in the mobilisation period of the contract will be capitalised as asset from contract costs and expensed over the drilling period. This will imply that no cost and no revenue is recognised in the mobilisation period.

The group has assessed that there will not be any impact on net earnings as at 1 January 2018, as the open contracts at 31 December have no material mobilisation or demobilisation periods or fees.

The standard is mandatory for financial years commencing on or after 1 January 2018 . The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. As mention above, the group does not expect any impact on retained earnings as of 1 January 2018.

IFRS 16 *Leases*
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exeptions are short-term and low-value leases.
The accounting for lessors will not change significantly.

The standard will affect primary the accounting for the group's operating leases where the Group is a lessee. As at the reporting date, the group has operating lease commitments of USD 56, see note 25.

The group estimates that most of these commitments will result in the recognition of an asset and a liability for future payment. However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before 1 January 2019.

Consolidation
Subsidiaries are all entities over which the group has the power to govern the financial and operating policies - generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the aquisition of a subsidiary are the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition costs are expensed as incurred.

If the business combination is achieved in stages, the acquistion date carrying value of the acquirer's previously held equity interest in the acquiree is adjusted to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income / expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Transactions with non-controlling interests (owners) that do not result in loss of control are accounted for as equity transactions.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquistion.

When the Group ceases to have control, any retained interest in the entity is adjusted to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may indicate that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Material subsidiaries are listed in Note 25.

Segment reporting
Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

Foreign currency translation
(a) Functional and presentation currency
Items included in the separate financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in USD (in thousands), which is the Group's presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the monthly average exchange rates for the month the transactions are recognised.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other financial items'.

(c) Group companies
The results and financial position of all the Group's entities that have a functional currency different from the presentation currency (USD) are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The following are the most significant exchange rates used:

The following are the most significant exchange rates used:

	Average rate		Closing rate as at 31.12	
	2017	2016	2017	2016
NOK	0.12087	0.11899	0.12188	0.11601
GBP	1.28773	1.35593	1.35174	1.23121
EUR	1.12802	1.10633	1.19931	1.05410

Intangible assets
Goodwill arises on the acquistion of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.
Software assets are stated at their historical cost less depreciation. Historical cost includes the purchase price and any directly attributable costs of bringing the asset to working condition. The estimated economical lifetime of the acquired software is 7 years.

Property, plant and equipment
Property, plant and equipment comprise mainly of mobile offshore drilling units, well services equipment and machinery and equipment.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes its purchase price, any directly attributable costs of bringing the asset to working condition and borrowing costs.

Subsequent costs for day-to-day repairs and maintenance are expensed as incurred. The cost of modernisation and rebuilding projects is included in the asset's carrying amount when it is probable that the Group will derive future financial benefits and the cost of the item can be measured reliably. Depreciation is calculated on a straight-line basis over the useful life of the asset or component. Depreciable amount equals historical cost.

The carrying amount of the replaced part is written off. Modernisation and rebuilding projects are depreciated over the remaining useful life of the related assets.

Depreciation is calculated on a straight-line basis over the useful life of the asset or component. Depreciable amount equals historical cost less residual value. Items of property, plant and equipment with components that have substantially different useful lives are treated separately for depreciation purposes.

The useful lives of assets and the depreciation methods are reviewed periodically in order to ensure that the method and period of depreciation are consistent with the expected pattern of financial benefits from the asset.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement as gain on sale of assets.

Residual values for mobile offshore drilling units are determined based on the estimated second hand prices for mobile drilling units after a 30 year useful lifetime. Any changes are accounted for prospectively as a change in the accounting estimate. The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. Residual values for other property, plant and equipment are estimated to be 0.

Rig and equipment are depreciated over a period of 5 - 35 years. Periodic maintenance is depreciated over the expected period until next docking, estimated to 5 years.

Estimated useful life for machinery and equipment is 3 - 5 years.

Newbuildings
Newbuildings under construction are capitalised as fixed assets during the construction as installments are paid to the yard.

Capitalised costs include interest expenses until commencement on first contract, contractual costs and costs related to the monitoring of the project during the construction period. Contractual costs include costs related to the project for the duration of the contract, i.e. from signing of the contract to final completion of the contractual work.

Any costs incurred prior to the signing of the contract that relate to the

Group Financial Statements

procurement of the contract are regarded as a purchase of contractual assistance and are included in contractual costs.

Impairment of non-financial assets
All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less costs associated with the disposal. Value in use represents the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the CGU. For mobile offshore drilling units, each unit is deemed to be a CGU.

The value in use is determined on the basis of the total estimated discounted cash flow, excluding financing expenses and taxes. In determining impairment of mobile offshore drilling units and other fixed assets, the management must make judgements and estimates to determine whether the discounted cash flows generated by those assets are less than their carrying amount, including determining the appropriate discount rate to be used. The data necessary for the execution of the impairment test are based on management's estimates of discount rate (WACC), future cash flows, which require estimates to be made for future day rates, utilisation and profit margins.

The assumptions used in estimating these cash flows are consistent with internal forecasts. Market outlook and day rate considerations provided by an independent third party are used to support management's estimates. These considerations are mainly based on the oil price.

Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets
The Group classify financial assets in the following categories: trading financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.
Management determines the classification of financial assets at their initial recognition.

Financial assets are recognised at fair value. Transaction cost are expensed in the income statement. Derivatives are placed in this category unless designated as hedges. Assets in this category are classified as current.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Loans and receivables are recognised initially at their fair value plus transaction costs. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred.

Realised gains and losses arise from financial assets not designated for hedging, are recognised in the income statement as finance income in the period they occur.

Impairment of financial assets
For assets carried at amortised cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Derivative financial instruments and hedging
Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a continuous basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash-flow hedges). At the date of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as the object of its risk management and the strategy underlying the various hedge transactions. The Group also documents the extent to which the derivatives used are effective in smoothing the changes in fair value or cash flow associated with the hedge items. Such assessments are documented both initially and on an ongoing basis.

The effective portion of changes in the fair value of derivatives designated as cash-flow hedges are recognised in other comprehensive income (net of tax). Gain and loss on the ineffective portion is recognised immediately in the income statement.

Amounts recognised directly in other comprehensive income are reclassified as income or expense in the income statement in the period when the hedged liability or planned transaction will affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income/expenses.

Current and deferred income tax, withholding tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Withholding tax is the tax withheld on border-crossing gross income, generated in Angola and some other countries. Withholding tax is presented as tax expense in the income statement as this is a major, and often the total, part of the corporate income tax.

Trade receivables
Trade receivables and other receivables, that have fixed or determinable payments that are not quoted in an active market are classified as receivables.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. Provision for impairment is made to specified receivable items when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivable, the estimated future cash flows of the investments have been affected.

Spare parts
Spare parts are stated at the lower of cost and net realisable value. Cost is attributed using the first-in, first-out (FIFO) method. The costs of spare parts comprise the purchase price, import duties and other taxes, transport and handling and other costs directly attributable to the acquisition of the goods. Trade discounts, rebates and other similar items are deducted in determing cost.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other current highly-liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at face value, due to short time to maturity.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is stated net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.
The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's revenues are derived from day-rate based drilling contracts and day-rates from management drilling contracts and other service contracts. Revenue from management drilling contracts and other service contracts is recognised when the services are performed and at the rates specified in the contracts.

Day-rate based drilling contracts may include lump sum fees for mobilisation and demobilisation. Both day-rate based and lump sum fee revenues are recognised ratably over the contract period when services are rendered. Under some contracts, the Group is entitled to additional payments for exceeding performance targets. Such additional payments are recognised when any uncertainties are resolved or upon completion of the drilling program.

Mobilisation costs incurred as part of a contract are capitalised as receivable and recognised as expense over the contract term, excluding option periods not exercised.

Leases
Leases are classified as either finance leases or as operating leases. Leasesthat transfer substantially all the risks and rewards incidental to the asset areclassified as finance leases. Other leases are classified as operating leases. When the Group is lessee in a finance lease, the leased asset and the liabilityrelated to the lease is recognised in the balance sheet. Depreciable leased assets are depreciated systematically over the useful life of the asset. Lease payments are apportioned between interest expense and reduction of the liability.

Lease payments related to operating leases are recognised as an expense over the lease term.

Provisions, contingent liabilities and contingent assets
A provision is recognised when an obligation exists (legal or constructive) as a result of a past event, it is probable that an economic settlement will be required as a consequence of the obligation, and a reliable estimate can be made of the amount of the obligation.

The best estimate of the expenditure required to settle the obligation is recognised as a provision. When the effect is material, the provision is discounted using a market based pre-tax discount rate.

A provision for restructuring costs is recognised when a constructive obligation arises. Such an obligation is assumed to have arisen when the restructuring plan is approved and the implementation of the plan has begun or its main features are announced to those affected by it.

Contingent liabilities and contingent assets are not recognised. Contingent liabilities are disclosed unless the possibility of an economic settlement as a consequence of the obligation is remote. Contingent assets are disclosed where an economic settlement as a consequence of the asset is probable.

Earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Statement of cash flows
The statement of cash flows is prepared under the indirect method. Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Parent Company Financial Statements

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Income Statement
for the year ended 31 December

USD thousands	Note	2017	2016
Other operating expenses	2	(1,581)	(2,168)
Total operating expenses		**(1,581)**	**(2,168)**
Operating profit / loss (EBIT)		**(1,581)**	**(2,168)**
Interest income		1	2
Interest income from subsidiaries	6, 9	33,729	30,125
Dividends from subsidiaries	9	-	30,100
Other financial income	8	4,609	4,628
Interest expenses subsidiaries	6, 9	(21,632)	(18,026)
Impairment of investments in subsidiaries	5	-	(212,813)
Other financial expenses	8	(181)	(23)
Net financial items		**16,526**	**(166,007)**
Profit / loss before tax		**14,945**	**(168,175)**
Tax on ordinary result	11	-	-
Profit / loss for the period		**14,945**	**(168,175)**
Allocation of year result:			
Transferred to / (from) other equity	3	14,945	(168,175)
Total allocated		**14,945**	**(168,175)**

Parent Company Financial Statements

Statement of Financial Position

USD thousands	Note	31.12.2017	31.12.2016
Assets			
Investments in subsidiaries	5	588,142	588,142
Non-current receivables subsidiaries	6	506,104	461,094
Total non-current assets		**1,094,246**	**1,049,236**
Other current receivables		113	-
Other current receivables subsidiaries	6	6	30
Cash and cash equivalents	7	599	609
Total current assets		**718**	**640**
Total assets		**1,094,964**	**1,049,876**
Equity and liabilities			
Share capital	3, 4	1,987	1,987
Other contributed capital	3	326,853	326,853
Other equity	3	308,590	293,645
Total equity		**637,431**	**622,485**
Non-current liabilites subsidiaries	6, 9	8,692	427,229
Total non-current liabilities		**8,692**	**427,229**
Other current liabilities		172	143
Other current liabilities subsidiaries	6	448,528	-
Trade payables		142	18
Total current liabilities		**448,842**	**161**
Total liabilities		**457,534**	**427,390**
Total equity and liabilities		**1,094,964**	**1,049,876**

The Board of Odfjell Drilling Ltd
Hamilton, Bermuda, 17 April 2018

Carl-Erik Haavaldsen
Chairman

Helene Odfjell
Director

Kirk L. Davis
Director

Henry Hamilton III
Director

Bengt Lie Hansen
Director

Statement of Cash Flow for the year ended 31 December

USD thousands	Note	2017	2016
Cashflow from operating activities:			
Profit/(loss) before tax		14,945	(168,175)
Adjustments for:			
Impairment investments in subsidiaries	5	-	212,813
Net currency loss / (gain) not related to operating activities		(24)	(46)
Income from subsidiaries	9	-	(30,100)
Changes in working capital:			
Trade payables		124	9
Other accruals and current receivables /payables		(60)	4,302
Net cash flow from operating activities		**14,985**	**18,803**
Cash flows from investing activities:			
Repayment of capital from subsidiaries		-	3,500
Received dividend from subsidiaries		-	30,100
Net payments to subsidiaries, non-current receivables		(40,010)	(88,239)
Net cash flow from investing activities		**(45,010)**	**(54,639)**
Cash flows from financing activities:			
Net proceeds from borrowing facilities from subsidiaries		29,991	36,002
Divident paid		-	-
Net cash from financing activities		**29,991**	**36,002**
Exchange gains/(losses) on cash and cash equivalents		24	46
Net change in cash and cash equivalents		**(10)**	**212**
Cash and cash equivalents at 01.01		609	398
Cash and cash equivalents at 31.12		**599**	**609**

Note 1 > Accounting principles

All amounts are in USD thousands unless otherwise stated.

The financial statements have been prepared on the basis of the going concern assumption. The accounting information includes income statement, statement of financial position, notes and statement of cashflow.
The accounts are prepared in accordance with Norwegian GAAP. Figures are reported in USD. The company is located at Bermuda, with business address Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Recognition of income
The company is a single purpose company with the only interest of owning its shares in subsidiaries. Any dividend received or other financial income are recognised as financial income.

Classification of balance sheet items
Assets identified as being permanently owned or used, are classified as non-current assets. Other assets are classified as current assets. Liabilities due more than one year after they are incurred are classified as non-current liabilities. First year instalment on long-term loans are classified as current liabilities. Liabilities due less than one year after being incurred are classified as current liabilities.

Accounts receivable
Trade debtors and other receivables are accounted for at net value after deductions for expected losses.

Foreign currency
Balance sheet items in foreign currencies are translated to USD at the currency rate at the balance date. Profit and loss transactions in other currencies, are translated to USD at monthly currency rates.
Currency gain and loss are presented under other financial income and other financial expenses respectively in the income statement.

Cash and bank deposits
Cash and bank deposits also include other liquid investments with a period to maturity of 90 days or less from the date of issue.

Investments in subsidiaries
Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow.

Impairment of asset
The asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

Estimates
The management has used estimates and assumptions that have affected assets, liabilities, income, expenses and information about potential liabilities.

Cash flow statement
The cash flow statement is prepared using the indirect method.

Events after the balance sheet date
New information on the company's positions on the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date but which will affect the company's position in future are stated if they are significant.

Reclassification
With reclassification in the income statement or balance sheet, comparative figures are revised accordingly.

Parent Company Financial Statements

Note 2 > Operating expenses, remuneration of the board of directors and number of empoyees

USD thousands	2017	2016
Fee to the auditor (excl. VAT)		
Auditors fee	251	285
Other services from auditor	18	3
Other operating expenses:		
Board of directors fee	166	182
Management fee	494	468
Fees legal and financial assistance	542	1,106
Travel expenses	97	104
Other expenses	13	19
Total	**1,581**	**2,168**

A service agreement is entered into with Odfjell Drilling AS. Following a demerger in Odfjell Driling AS in December 2017, part of the services are now preformed by Odfjell Global Business Services AS, a subsidiary to Odfjell Drilling Ltd. Invoiced management fee for 2017 is USD 493,845 (USD 468,252 in 2016). No loans or guarantees have been given to the members of the board of directors.

The company had no employees during 2017. NOK 1,375,000 has been paid as remuneration to the board of directors during 2017.

Note 3 > Shareholders' equity

	Share capital	Other contributed capital	Other equity	Total
Shareholders' equity as at 31.12.2016	1,987	326,853	293,645	622,485
Profit for the year			14,945	14,945
Shareholders' equity as at 31.12.2017	**1,987**	**326,853**	**308,590**	**637,431**

Note 4 > Share capital and shareholders

	Number	Nominal value	Book value
Shares	198,736,900	USD 0.01	USD 1,987,369
Total	**198,736,900**	**USD 0.01**	**USD 1,987,369**

All shares carry equal voting rights.

Largest shareholders at 31 December 2017	Holding	% of total
Odfjell Partners Ltd.	142,000,000	71.45%
Deutsche Bank AG	6,491,040	3.27%
J.P.Morgan Chase Bank N.A. London	5,863,322	2.95%
State Street Bank and Trust Co.	3,065,655	1.54%
Fidelity Select Portfolios: Energy	2,880,900	1.45%
RBC Investor Services Trust	2,000,000	1.01%
State Street Bank and Trust Co.	1,520,106	0.76%
Fidelity Select Portfolios: Energy	1,434,080	0.72%
J.P.Morgan Chase Bank N.A. London	1,314,340	0.66%
Lieungh, Simen	952,381	0.48%
Eika Norge	940,485	0.47%
VPF Nordea Kapital	913,001	0.46%
Citybank, N.A.	912,238	0.46%
Verdipapirfondet DNB SMB	835,323	0.42%
VPF Nordea Avkastning	740,849	0.37%
The Bank of New York Mellon SA/NV	678,923	0.34%
Morgan Stanley and Co Intl Plc	664,719	0.33%
FSP - Natural Resources	590,700	0.30%
Fidelity Advisor Natural Resources	564,256	0.28%
Goldman Sachs International	523,016	0.26%
Total 20 largest shareholders	**174,885,334**	**88.00%**
Other shareholders	23,851,566	12.00%
Total shareholders	**198,736,900**	**100.00%**

Helene Odfjell controls, through Odfjell Partners Ltd., 71.45% of the shares and the CEO controls 0.48% of the shares in Odfjell Drilling Ltd.
The Chairman of the board of directors, Carl-Erik Haavaldsen, has a significant ownership in Cenor Ltd., which owns 19 047 shares in Odfjell Drilling Ltd.
No dividends have been paid in 2016 and 2017.

Parent Company Financial Statements

Note 5 > Subsidiaries

Company	Acquisition / formation date	Registered office	Shares owned	Voting rights
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	100%	100%
Odfjell Offshore Ltd.	2011	Hamilton, Bermuda	100%	100%
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	100%	100%
Odfjell Global Business Services AS	2017	Bergen, Norway	100%	100%

Company	Functional currency	Share capital in USD	Profit / (loss) 2017	Equity at 31.12.2017	Book value at 31.12.2017
Odfjell Drilling Services Ltd.	USD	10,000	123,778	225,215	180,339
Odfjell Offshore Ltd.	USD	1,000,000	6,829	36,465	6,546
Odfjell Rig Owning Ltd.	USD	10,000	(952)	311,864	400,745
Odfjell Global Business Services AS	USD	30,371	(1,432)	16,659	511
Total					588,142

The shares are recognised in the accounts according to cost method.

During restructuring of the group in December 2017, Odfjell Drilling Ltd., received the shares in Odfjell Global Business Services AS and Odfjell Drilling AS from Odfjell Drilling Services Ltd. The shares in Odfjell Drilling AS as well as the shares in Odfjell Rig Ltd., was contributed to Odfjell Rig Owning Ltd.

Investments in subsidiaries have been subject to impairment assessment as per 31. December 2017. Book value of investment inn Odfjell Rig Owning Ltd., is higher than book value of equity in the company, and also higher than book value of the consolidated equity in the subgroup. However, the group has performed calculations of expected future cash flows from fixed assets (Mobile Offshore Drilling Units) as well as from operations related to management of other rigs. Based on these calculations, the company expects future cashflows from the investment in Odfjell Rig Owning Ltd., to exceed book value. No impairment was identified as at 31.12.2017 for any of the investments.

In 2016 Odfjell Drilling Ltd., recognised an impairment write-down of USD 212.8 million related to Odfjell Rig Owning Ltd.

Note 6 > Intercompany balances

Non-current receivables:

	Interest conditions	Maturity date	Receivables 2017	Receivables 2016	Interests 2017
Odfjell Rig Owning Ltd.	Fixed 6.95%	09/05/2020	506,104	461,094	33,729
Total non-current	-		506,104	461,094	33,729

The loan agreement was transferred from Odfjell Offshore Ltd to Odfjell Rig Owning Ltd., as part of the contribution 21 December 2015. The loan agreement was extended by an amendment in February 2015 to long-term conditions with due date 9 May 2020, and applicable interest is fixed annual 6.95%. In December 2017 a supplemental agreement was made to increase the total commitment by an additional USD 50 million to a total commitment of USD 550 million. No impairment indicators identified as at 31.12.2017. See note 5 for impairment assessment as at 31.12.2017.

Loans from subsidiaries:

	Interest conditions	Maturity date	Liabillites 2017	Liabilities 2016	Interests 2017
Odfjell Offshore Ltd.	3 mnt LIBOR + 5.16% margin	28/08/2022	8,692	-	192
Odfjell Drilling Services Ltd.	3 mnt LIBOR + 3.63% margin	09/11/2018	448,528	427,229	21,440
Total loans from subsidiaries	-		457,220	427,229	21,632
Classified as current liabilities			448,528	-	
Classifies as non-current liabilities		30	8,692	427,229	10

The company entered into a new loan agreement with Odfjell Offshore Ltd., a subsidiary to the company, in August 2017. The maximum aggregated loan amount is USD 8.5 million plus any interest added to the principal. The loan shall be repaid in full at maturity date at the latest.

The maximum aggregated loan amount for the loan agreement with Odfjell Drilling Services Ltd., a subsidiary to the company, is USD 450 million.

Current:

USD thousands	Type	Receivables 2017	Liabilities 2017	Receivables 2016	Liabilities 2016
Odfjell Drilling Services Ltd.	Loan, see table above	-	448,528	30	-
Odfjell Drillling AS	Trade	6	-	-	-
Total current		6	448,528	30	-

The current receivables and liabilities have less than one year maturity.

Note 7 > Cash and bank deposits

USD thousands	2017	2016
Current account NOK	172	76
Current account USD	437	322
Total cash and bank deposits	609	398

Bank deposits are not restricted.

Note 8 > Financial income and expenses

Other financial income:

USD thousands	2017	2016
Guarantee commissions	4,581	4,576
Net currency gain	28	52
Total other financial income	4,609	4,628

Other financial expenses:

USD thousands	2017	2016
Other financial expenses	181	23
Total other financial expenses	181	23

Note 9 > Financial income and expenses

Revenue from related parties

Type of transaction	Related party	Relation	2017	2016
Dividend	Odfjell Rig Ltd.	Subsidiary	-	30,100
Interest on long term loan	Odfjell Rig Owning Ltd.	Subsidiary	33,729	30,125
Guarantee provision	Odfjell Drilling Services Ltd.	Subsidiary	1,109	1,392
Guarantee provision	Odfjell Invest Ltd.	Subsidiary	1,740	1,366
Guarantee provision	Odfjell Rig II Ltd.	Subsidiary	286	406
Guarantee provision	Odfjell Rig III Ltd.	Subsidiary	1,446	1,412
Total			38,309	64,801

Expenses to related parties

Type of transaction	Related party	Relation	2017	2016
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	21,440	18,026
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	192	-
Management fee	Odfjell Global Business Services AS	Subsidiary	12	-
Management fee	Odfjell Drilling AS	Subsidiary	482	468
Total			22,126	18,495

See note 6 for information regaring interest condition on loan to related parties.

Note 10 > Guarantees and security

Guarantees from Odfjell Drilling Ltd in relation to subsidiaries' loan agreements

Odfjell Drilling Ltd has furnished an On-Demand Guarantee under the following facility agreements:

- USD 450 million senior secured credit facility agreement entered into on 6 May 2014 with Odfjell Drilling Services Ltd., as borrower and Danske Bank A/S, DNB Bank ASA, Nordea Bank Norge ASA and Swedbank AB (publ) as mandated lead arrangers and original lenders, Danske Bank A/S and DNB Bank ASA as coordinators and DNB Bank ASA acting as agent. The facility is a senior secured revolving credit and term loan facility originally in the total aggregate amount of USD 450 million divided into a term loan facility in the maximum principal amount of USD 300 million and a revolving credit facility in the maximum principal amount of USD 150 million. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 500 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

- USD 525 million term loan facility agreement entered into on 23 September 2016 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent of behalf of the Lenders. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 682.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

- The USD 270 million term loan facility agreement was originally entered into on 15 February 2013 with Odfjell Rig II Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders, but was amended and extended in August 2017. The liability of Odfjell Drilling Ltd. as guarantor hereunder shall be limited to USD 85.8 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

- USD 530 million term loan facility agreement enered into on 7 May 2013 with Odfjell Rig III Ltd as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 636 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

Other securities

Odfjell Drilling Services Ltd. - USD 450 million Facility Agreement

The Company, as well as subsidiaries Odfjell Well Services II Ltd., Odfjell Drilling Technology Ltd., Odfjell Drilling AS, Odfjell Drilling Technology AS, Odfjell Well Services AS, Odfjell Global Business Services AS and Odfjell Well Services Norway AS have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents. Further, substantially all of the assets of Odfjell Drilling Services Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the borrower's shares in Odfjell Partners Invest Ltd., Odfjell Drilling Technology Ltd., and Odfjell Platform Drilling AS, the shares owned by Odfjell Partners Invest Ltd., in Odfjell Well Services Norway AS, Odfjell Well Services AS, Odfjell Well Services Ltd., and Odfjell Well Services II Ltd., pledge granted by Odfjell Partners Invest Ltd., and Odfjell Well Services II Ltd., over (in aggregate) 100% of the membership interests in Odfjell Well Services Cooperatief U.A., and the shares owned by Odfjell Drilling Technology Ltd., in Odfjell Drilling Technology AS. In addition, Odfjell Drilling Ltd., has pledged 100 per cent of the shares in Odfjell Drilling Services Ltd., Odfjell Rig Owning Ltd., Odfjell Global Business Services AS and Odfjell Offshore Ltd., and Odfjell Rig Owning Ltd has pledged all its shares in Odfjell Drilling AS.
The loan is also secured by first priority assignment of all intra-group receivables owed to Odfjell Drilling Services Ltd. and its subsidiaries.

Odfjell Invest Ltd. - USD 525 million Facility Agreement

All of the shares and substantially all of the assets of Odfjell Invest Ltd. and its subsidiaries have been pledged in favour of the lenders. This includes the shares in Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., mortgages over the semi-submersible drilling rigs "Deepsea Stavanger" and "Deepsea Atlantic" and assignment of rights to revenue, interest proceeds and bank accounts. In addition, the shares in Odfjell Invest Ltd., have been pledged by Odfjell Rig Owning Ltd., in favour of the lenders. Odfjell Drilling AS' shares in the charter company Odfjell Invest AS have also been pledged. Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling Ltd. and Odfjell Rig Owning Ltd. have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents.

Odfjell Rig II Ltd. – USD 270 million Senior Secured Term Loan Facility

All of the shares in and substantially all of the assets of Odfjell Rig II Ltd., have been pledged in favour of the lenders, including a mortgage over Deepsea Bergen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents.

Odfjell Rig III Ltd. – USD 530 million Facility Agreement

As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., and Odfjell Drilling Shetland Limited is pledged in favour of the lenders and hedging banks, including a mortgage of Deepsea Aberdeen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd. and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents, and one of the USD 200 million export credit facilities has been guaranteed by the Norwegian Garanti-Instituttet for Eksportkreditt (for a guarantee fee).

Guarantee liabilities

Parent company guarantee in relation to the subsidiaries' loan agreements:	2017	2016
Loan agreement in Odfjell Drilling Services Ltd.	362,195	402,218
Loan agreement in Odfjell Invest Ltd.	637,022	686,981
Loan agreement in Odfjell Rig II Ltd.	82,300	162,497
Loan agreement in Odfjell Rig III Ltd.	500,755	548,862
Total guarantee liabilities	1,582,272	1,800,558

Book value of assets pledged as security

USD thousands	2017	2016
Shares in Odfjell Offshore Ltd.	6,546	6,546
Shares in Odfjell Rig Owning Ltd.	400,745	399,087
Shares in Odfjell Drilling Services Ltd.	180,339	182,042
Shares in Odfjell Global Business Services AS	511	-
Intra-group receivables (Odfjell Drilling group)	506,110	461,124
Bank deposits	599	609
Total book value of assets pledged as security	1,094,851	1,049,410

Guarantees from Odfjell Drilling Ltd in relation to subsidiaries' customer agreements

Odfjell Drilling Ltd., did in 2015 issued a parent company guarantee regarding Odfjell Drilling Management as's drilling service contract for Johan Sverdrup with Statiol. The same year the company also issued a parent company guarantee regarding Odfjell Invest AS's drilling contract with Wintershall Norge AS.

Note 11 > Taxation

Odfjell Drilling Ltd. is registered in Bermuda.

There is no Bermuda income, corporation, or profit tax, withholding tax, capital gains, capital transfer tax, estate duty or inheritance tax payable by the company or its shareholders not ordinarily resident in Bermuda. The company is not subject to Bermuda stamp duty on the issue, transfer or redemption of its shares.

The company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1996 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 2035 be applicable to the company or to any of its operations, or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.

As an exempted company, the company is liable to pay a registration fee in Bermuda at a rate presently amounting to USD 18,670 per annum.

Note 12 > Events after the reporting period

There have not been any events identified after the reporting period, which would materially affect these financial statements.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

The Board of Odfjell Drilling Ltd
Hamilton, Bermuda, 17 April 2018

Carl-Erik Haavaldsen
Chairman

Helene Odfjell
Director

Kirk L. Davis
Director

Henry Hamilton III
Director

Bengt Lie Hansen
Director

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To the General Meeting of Odfjell Drilling Ltd

Independent Auditor's Report

Opinion

We have audited the financial statements of Odfjell Drilling Ltd. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 and the Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities, which continues to evolve due to ongoing improvement projects, are largely the same as last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters for our audit of the 2017 financial statements. However, in 2016 the Group completed the implementation of a new ERP system which was in focus last year due to events then. Furthermore, we focused on liquidity and bank covenants last year. This year we found the risks related to this area reduced due to the successful amendment and extension of the Deepsea Bergen facility and several drilling contracts awarded since last year. Valuation of drilling rigs involves

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

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nearly the same complexity and risks as in 2016. Consequently, valuation of drillings rigs has also been at focus for this year's audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of drilling rigs	
The Group has a fleet of drilling rigs with a book value of USD 1,699 million. We focused on this area because: • the book value constitutes a substantial amount (around 80%) of the Group's total assets, • the current condition in the oil- and oil service market suggested impairment indicators existed, • as two of the Group's drilling rigs has been impaired in prior periods, the previously recognised impairment loss might no longer exist or may have increased, and • impairment assessment involves significant judgement made by management about future results of the business. The Group owns four drilling rigs, Deepsea Atlantic (DSA), Deepsea Stavanger (DSS), Deepsea Aberdeen (DAB) and Deepsea Bergen (DSB). In particular, we focused on the impairment assessment of the drilling rigs DSA and DSS as they have previously been impaired and were the most sensitive to changes in assumptions. These rigs constitutes 59% of the total book value of the Group's drilling rigs. Even small changes in some of the judgemental assumptions may lead to significant changes in calculated value in use which may trigger further impairment losses or reversal of previously recognised	We tested the design and operating effectiveness of key controls in relation to impairment recognition of the Group's drilling rigs, with particular focus on the controls over gathering external evidence for critical inputs applied in the impairment assessment. We did not identify any material issues that would have an impact on our audit approach. We obtained the Group's impairment model for the drilling rigs and reviewed management's identification of Cash Generating Units (CGUs). The Group identified each drilling rig as a CGU. Further, for all rigs, we examined the methodology used by the Group to assess the carrying value of tangible assets assigned to the CGUs and tested the mechanics of the underlying calculations. We found the identification of CGU and impairment methodology applied by the Group to be compliant with IFRS and the underlying calculations to be mathematically accurate. We then, and in particular for DSA and DSS, identified the most critical assumptions in the value in use model, and found these to be day rates, operating expense (opex) levels, utilisation and discount rate. The model was divided into three periods: budget-, intermediate- and long-term period. The Group estimated the discount rate using a weighted average cost of capital, of which cost of equity was derived using CAPM. As a part of challenging the Group's assumptions, we performed key audit procedures on this area which included: • Agreeing the day rates in the contract period to signed contracts, and the day rates in the intermediate period to board approved budgets as well as day rates used by the Group in biddings for the rigs in the same period. • Agreeing the opex levels in the contract- and intermediate period to board approved budgets as well as comparing it to historical performance of the rigs. • Agreeing the budgets to underlying documentation such as contracts and historically achieved opex levels among other. • Comparing the applied day rates and opex levels in the long-term period to external analytical reports as well as reviewing the Group's new-build parity calculation that was used to back up the applied day rate and opex level. • Comparing applied utilisation for the three periods to historical performance as well as external documentation of

impairment losses. See note 2 and 16 and the BoD report for information about the valuation of drilling rigs.	average historical utilisation. • Comparing the current year actual results with the FY17 results included in the prior year forecast to consider whether the Group had exercised any bias in assumptions used. • Assessed the applied discount rate by comparing critical input to observable market data, where applicable. We compared non-observable input to external research and market reports, and challenged the Group on the reasonability of the applied inputs. We further compared the applied discount rate to discount rates used by comparable entities. We found the above mentioned assumptions to be consistent and within an acceptable range. We performed sensitivity calculations on inputs used in the model. As expected we found that the calculated value-in-use was most sensitive to changes in the discount rate and normalised day rates. For DAB and DSB we calculated how much these assumptions would need to change, individually or collectively, before impairment would be necessary, and agreed this to information presented in the disclosures. In respect of DSS and DSA we found these assumptions to be acceptable, but noted that any change in the mentioned assumptions would lead to an impairment loss or reversal of previously recognised impairment loss. We evaluated the appropriateness of the related note disclosures in the financial statements and found that they satisfied IFRS requirements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon. This includes other information, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Independent Auditor's Report - Odfjell Drilling Ltd

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group 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.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bergen, 17 April 2018
PricewaterhouseCoopers

Hallvard Aarø

State Authorised Public Accountant

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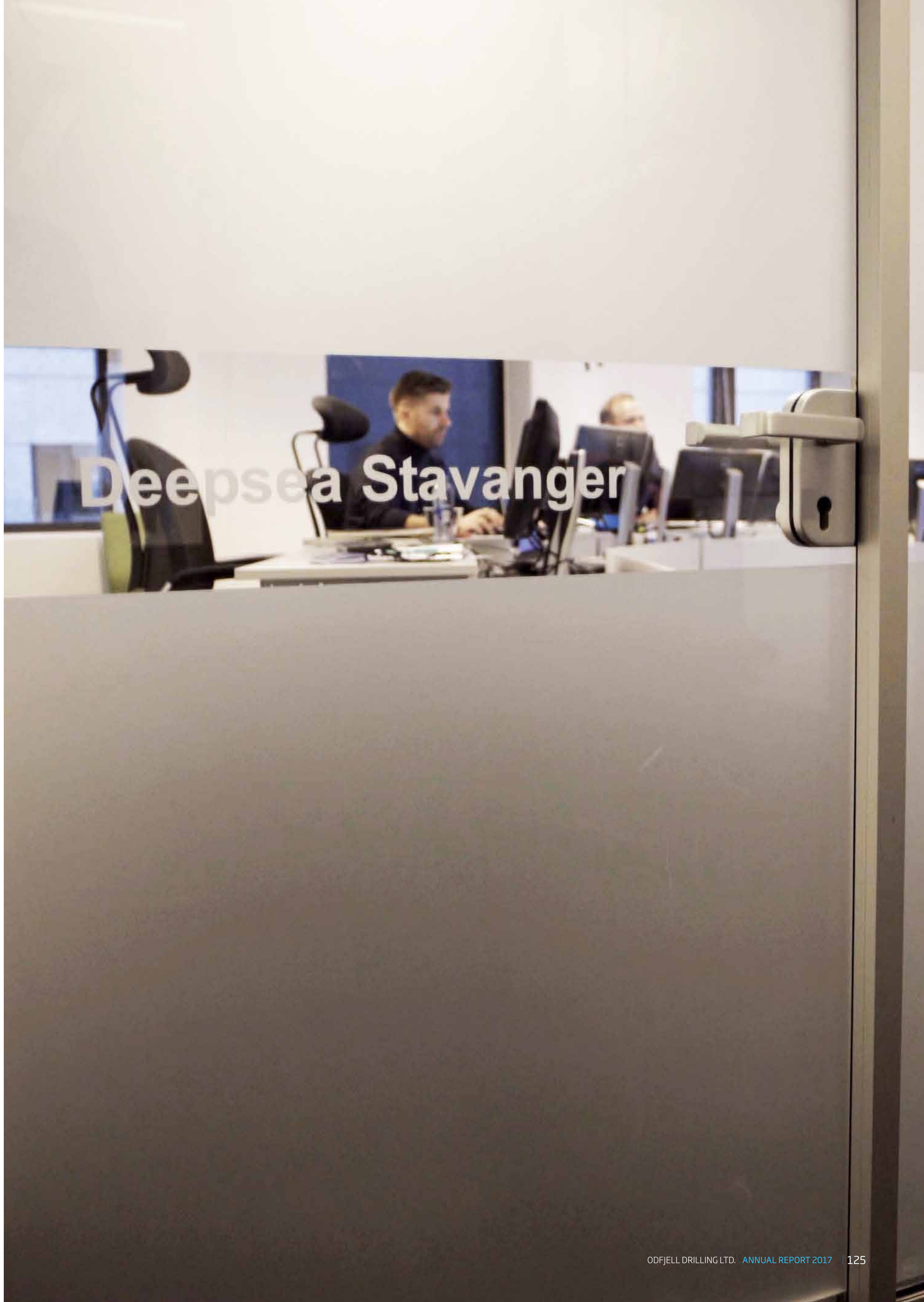


Appendix 1

Definitions of alternative performance measures

Financial utilization

Financial utilization is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month.
Financial utilization is only measured for periods on charter.

EBITDA margin

EBITDA/Operating revenue

EBIT margin

EBIT/Operating revenue

Net (loss) profit

Equal to Profit (loss) for the period after taxes

Equity ratio

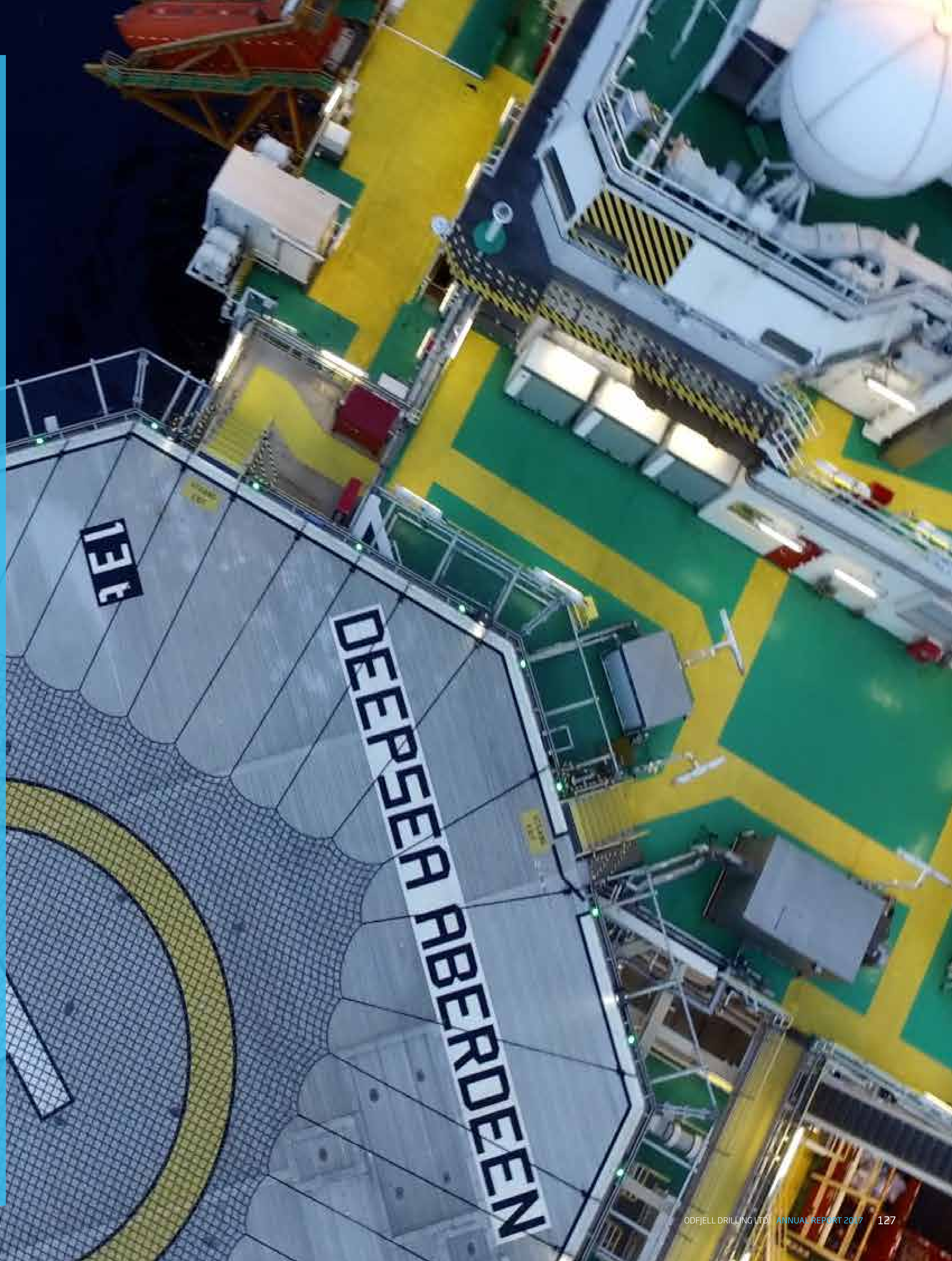
Total equity/total equity and liabilities

Net interest-bearing debt

Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents

Earnings per share

Net profit/number of outstanding shares



ANNUAL REPORT

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Photo by:
Helge Hansen
Rune Samuelsen, Odfjell Drilling
Hallvard Atle Bjånesøy, Odfjell Drilling

Odfjell Drilling Ltd.
Clarendon House
2 Church Street Hamilton
HM11 Bermuda

Odfjelldrilling.com