



**ODFJELL DRILLING**

**Odfjell Drilling Ltd.**

**Report for the 1<sup>st</sup> quarter of 2020**

*This interim report is unaudited and has been prepared in accordance with IAS 34 "Interim Financial Reporting".*

## Key figures for the Group

All figures in USD million

| Key figures Odfjell Drilling Ltd. Group | Q1 20 | Q1 19 | FY 19 |
|---|-------|-------|-------|
| Operating revenue.....                  | 197   | 201   | 823   |
| EBITDA.....                             | 82    | 73    | 332   |
| EBIT.....                               | 33    | 31    | 147   |
| Net profit (loss).....                  | 23    | 10    | 41    |
| EBITDA margin.....                      | 42%   | 36%   | 40 %  |
| Total assets.....                       | 2,654 | 2,674 | 2,686 |
| Net interest bearing debt.....          | 1,216 | 1,251 | 1,221 |
| Equity.....                             | 1,048 | 1,035 | 1,062 |
| Equity ratio.....                       | 40%   | 39%   | 40 %  |

## Highlights Q1 2020

### Odfjell Drilling Ltd. Group

- Operating revenue of USD 197 million compared to USD 201 million in Q1 2019.
- EBITDA of USD 82 million compared to USD 73 million in Q1 2019.
- EBITDA margin of 42% compared to an EBITDA margin of 36% in Q1 2019.
- The Group's contract backlog is USD 2.2 billion, whereof USD 1.2 billion is firm backlog. The comparable figure at the end of Q1 2019 was USD 2.3 billion, whereof USD 1.3 billion was firm backlog.

### Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 142 million compared to USD 152 million in Q1 2019.
- EBITDA of USD 70 million compared to USD 67 million in Q1 2019.
- EBITDA margin of 49% compared to an EBITDA margin of 44% in Q1 2019.

### Drilling & Technology segment (D&T)

- Operating revenue of USD 36 million compared to USD 34 million in Q1 2019.
- EBITDA of USD 3 million compared to USD 2 million in Q1 2019.
- EBITDA margin of 7% compared to an EBITDA margin of 6% in Q1 2019.

### Well Services segment (OWS)

- Operating revenue of USD 28 million compared to USD 25 million in Q1 2019.
- EBITDA of USD 9 million compared to USD 5 million in Q1 2019.
- EBITDA margin of 31% compared to an EBITDA margin of 20% in Q1 2019.

### *COVID-19 and negative shift in oil price*

The COVID-19 outbreak and negative shift in oil price, which both occurred during Q1 2020, have affected and will continue to affect the global economy negatively going forward. We have observed E&P companies taking immediate measures by reducing its overall spending due to the uncertain situation and we further expect them to closely monitor the situation going forward.

Odfjell Drilling has been limited impacted by the COVID-19 outbreak in Q1 2020. We early implemented required routines to limit the contagion of the virus and our operations have only been marginally affected within the Drilling & Technology segment. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

We further expect the negative shift in oil price to have limited effect on Odfjell Drilling in the short to medium term as we have firm contract backlog for our 6<sup>th</sup> generation harsh environment fleet to 2021/2022.

## **Financial review – operations**

*(Comparable figures for last comparable period in brackets)*

### *Consolidated group financials*

#### **Profit & loss Q1 2020**

Operating revenue for Q1 2020 was USD 197 million (USD 201 million), a decrease of USD 4 million, mainly due to decreased revenue in the MODU segment from Q1 2019 to Q1 2020, partly offset by increased revenue in OWS and D&T segments.

EBITDA in Q1 2020 was USD 82 million (USD 73 million), an increase of USD 9 million. There is an increase in EBITDA in all segments.

The EBITDA margin in Q1 2020 was 42% (36%).

EBIT in Q1 2020 was USD 33 million (USD 31 million), an increase of USD 2 million.

Net financial expenses in Q1 2020 amounted to USD 9 million (USD 20 million). The decrease in net expenses of USD 11 million from Q1 2019 to Q1 2020 was mainly explained by change in fair value of derivatives and change in net currency gains and losses.

In Q1 2020, the tax expense was USD 2 million (USD 2 million).

Net profit in Q1 2020 was USD 23 million (USD 10 million).

#### **Balance sheet**

Total assets as at 31 March 2020 amounted to USD 2,654 million (USD 2,686 million as at 31 December 2019), a decrease of USD 32 million.

Equity as at 31 March 2020 amounted to USD 1,048 million (USD 1,062 million as at 31 December 2019) a decrease of USD 14 million.

The equity ratio was 40% as at 31 March 2020 (40% as at 31 December 2019).

Net interest bearing debt as at 31 March 2020 amounted to USD 1,216 million (USD 1,221 million as at 31 December 2019), a decrease of USD 5 million.

### Cash flow Q1 2020

Net cash flow from operating activities in Q1 2020 was positive with USD 43 million. The Group paid USD 18 million in interest.

Net cash outflow from investing activities in Q1 2020 was USD 23 million.

Net cash outflow from financing activities in Q1 2020 was USD 5 million. The Group paid USD 30 million in instalments on credit facilities and leases in Q1 2020, while USD 25 million was drawn on the Odfjell Invest junior facility.

## Segments

*As of 1 January 2020 the internal reporting of the segments is prepared according to IFRS. Comparative figures are adjusted accordingly.*

### Mobile Offshore Drilling Units

*All figures in USD million*

| Key figures MODU segment | Q1 20 | Q1 19 | FY 19 |
|--------------------------|-------|-------|-------|
| Operating revenue.....   | 142   | 152   | 599   |
| EBITDA.....              | 70    | 67    | 291   |
| EBIT.....                | 29    | 33    | 138   |
| EBITDA margin.....       | 49%   | 44%   | 49 %  |

Operating revenue for the MODU segment in Q1 2020 was USD 142 million (USD 152 million), a decrease of USD 10 million. The main variation is Deepsea Stavanger with a decrease of USD 40 million as Q1 2019 revenue included recognised revenue for the Total drilling program in South Africa partly offset by revenue of USD 29 million from Deepsea Nordkapp, which commenced its operations in May 2019.

EBITDA for the MODU segment in Q1 2020 was USD 70 million (USD 67 million), an increase of USD 3 million. The change in EBITDA is mainly due to the same reasons as mentioned above. In addition, a change in post-employment benefits in Norway has positively affected the Q1 2020 EBITDA with USD 4 million.

EBIT for the MODU segment in Q1 2020 was USD 29million (USD 33 million), a decrease of USD 4 million.

## MODU - Financial utilisation

The financial utilisation for each of the Group's fully owned mobile offshore drilling units was as follows:

| Financial Utilisation - MODU | Q1 20  | Q1 19  | FY 19  |
|------------------------------|--------|--------|--------|
| Deepsea Stavanger.....       | 98.6 % | 99.9 % | 98.7 % |
| Deepsea Atlantic.....        | 99.1 % | 96.8 % | 97.8 % |
| Deepsea Bergen.....          | 92.7 % | 98.6 % | 97.3 % |
| Deepsea Aberdeen.....        | 74.8 % | 97.8 % | 97.2 % |
| Deepsea Nordkapp.....        | 97.9 % | n/a    | 98.0 % |

- Deepsea Stavanger has been operating for Aker BP on the NCS in Q1 2020.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q1 2020.
- Deepsea Bergen has been operating for MOL on the NCS until 23 March 2020. Thereafter the unit demobilized to CCB outside Bergen, Norway.
- Deepsea Aberdeen has been operating for BP West of Shetland (UK) in Q1 2020 and was off rate for 21 days in February due to SPS activities.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q1 2020.

## Drilling & Technology

All figures in USD million

| Key figures Drilling & Technology segment | Q1 20 | Q1 19 | FY 19 |
|---|-------|-------|-------|
| Operating revenue.....                    | 36    | 34    | 147   |
| EBITDA.....                               | 3     | 2     | 17    |
| EBIT.....                                 | 3     | 2     | 17    |
| EBITDA margin.....                        | 7%    | 6%    | 12 %  |

Operating revenue for the D&T segment in Q1 2020 was USD 36 million (USD 34 million), an increase of USD 2 million compared to Q1 2019. Mainly driven by the effect of having Clair Ridge and Mariner in operation.

EBITDA for the D&T segment in Q1 2020 was USD 3 million (USD 2 million), an increase of USD 1 million compared to same period in 2019. The EBITDA margin for the D&T segment in Q1 2020 was 7% (6%).

EBIT for the D&T segment Q1 2020 was USD 3 million (USD 2 million), an increase of USD 1 million compared to same period in 2019.

## Well Services

All figures in USD million

| Key figures Well Services segment | Q1 20 | Q1 19 | FY 19 |
|-----------------------------------|-------|-------|-------|
| Operating revenue.....            | 28    | 25    | 111   |
| EBITDA.....                       | 9     | 5     | 32    |
| EBIT.....                         | 3     | (1)   | 9     |
| EBITDA margin.....                | 31%   | 20%   | 29 %  |

Operating revenue for the OWS segment in Q1 2020 was USD 28 million (USD 25 million), an increase of USD 3 million, mainly due to higher activity in Norway that suffered a particularly challenging Q1 2019 offset by lower activity in the Middle East, Asia and African markets (MEAA).

EBITDA for the OWS segment in Q1 2020 was USD 9 million (USD 5 million), an increase of USD 4 million. Increased activity in Norway is the major contributor along with higher margin work in Europe. EBITDA margin for the OWS segment in Q1 2020 was 31% (20%). Increased margin in the quarter is mainly due to a new product line, increased margins in Europe and cost saving measures implemented in MEAA.

EBIT for the OWS segment in Q1 2020 was USD 3 million (negative USD 1 million).

## **Environmental, social and governance (ESG)**

Odfjell Drilling's objective in 2020 is to finalise a sustainability strategy for the Group. This is a continuation of the efforts made to reduce the Group's emissions from the mobile offshore drilling units in the last few years. The greatest impact from emission reducing initiatives lies within the MODU segment, but all business areas will take part in the sustainability goals.

## **Outlook**

The drilling and oil service market has developed positively in recent years due to strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have over time observed an increased appetite for field development and production spending across the segment, however with some regional differences.

The recent negative developments, with the COVID-19 outbreak and the negative shift in the oil price, have however increased the uncertainty within the drilling and oil service market. We expect that the oil companies will continue to monitor the market fundamentals closely and adjust their activities in the short to medium term.

We consequently expect the overall utilization of the total available drilling fleet to remain at low levels, in particular for ultra deep and benign water operations. The modern harsh environment drilling fleet is currently fully utilized and we believe utilization will remain at high levels also going forward, however some reduction in overall demand and prices should be expected. We further expect that the market weakness will trigger more scrapping and further eliminate any new supply in the short to medium term.

Odfjell Drilling is benefiting of having a modern fleet, primarily consisting of high end harsh environment 6th generation units with strategic frame agreements with Equinor and AkerBP, in addition to close relations with BP and Total. Despite the uncertain demand for drilling services, we believe our Group is well positioned to add more backlog in these challenging times due to our operational track record, strong client relationships combined with a healthy financial balance sheet.

Deepsea Stavanger is currently at Hanøytangen shipyard outside Bergen, Norway, preparing for the mobilization to South Africa for the drilling campaign with Total.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement. The unit was recently awarded five additional wells under the Master Frame Agreement, expected to take the unit in operations to early Q1 2021.

Deepsea Aberdeen is contracted until April 2022 for BP West of Shetland.

Deepsea Bergen finalized its operation with MOL on 23 March 2020 and is currently being marketed for new contracts.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The firm period, after exercise of the first option, will take the unit to end of Q2 2022, with an additional one year option.

OWS is still facing fierce competition for its services globally. Even though we have observed an increase in operational activity in the European and Middle East markets recently, the current market turbulence is expected to impact the demand for OWS' activities in the short to medium term.

Lastly, the Drilling & Technology division has experienced a short time increase in demand for its services over the period related to Special Period Surveys. In general, the market for Platform Drilling activities has traditionally been stable during the last decade and we expect this to continue. However, we expect The Technology division to face reduced activity as maintenance and upgrade projects are expected to be put on hold due to the current economic climate from Q2 2020 onwards.

## **Risks and uncertainties**

In addition to risks highlighted in previous section about Covid 19, in the Group's view, factors that 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 clients' spending budgets and developments in the financial and fiscal markets and within the Group. Furthermore, as the Group's fully owned fleet consists of five units, 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.

The substantial reduction in market capitalisation for the oil and gas service providers has led financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is 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 markets represent a risk for the Group with respect to funding should these market conditions continue over time. The market outlook and contract situation for the Group's mobile offshore drilling units may also affect covenant risk since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. The Group has, in recent years, implemented cost reduction and efficiency improvement programs, and continued its focus on capital discipline in order to improve its competitiveness in this challenging market.

## Quality, health, safety & environment (QHSE)

| Key figures QHSE  | YTD 20 | FY 19 |
|---|--------|-------|
| Lost time incident frequency (as per 1 million working hours).....        | 1.8    | 1.4   |
| Total recordable incident frequency (as per 1 million working hours)..... | 4.2    | 3.2   |
| Sick leave (percentage).....  | 3.1    | 2.8   |
| Dropped objects frequency (as per 1 million working hours).....           | 3.2    | 2.5   |
| Number of employees.....  | 2,581  | 2,579 |

Aberdeen, United Kingdom  
12 May 2020

Board of Directors of Odfjell Drilling Ltd.

Helene Odfjell, Chairman

Susanne Munch Thore, Director

Alasdair Shiach, Director

Thomas Marsoner, Director



## Appendix 1: Definitions of alternative performance measures

### *Contract backlog*

*The Company's fair estimation of revenue in firm contracts and relevant optional periods for MODU and Platform Drilling measured in USD - subject to variations in currency exchange rates.*

### *EBIT margin*

*EBIT/Operating revenue*

### *EBITDA margin*

*EBITDA/Operating revenue*

### *Equity ratio*

*Total equity/total equity and liabilities*

### *Financial utilisation*

*Financial utilisation 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 utilisation is only measured for periods on charter.*

### *Net interest-bearing debt*

*Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents. Interest-bearing borrowings do not include lease liabilities.*

### *Net (loss) profit*

*Equal to Profit (loss) for the period after taxes*



Odfjell Drilling Ltd.

Condensed Consolidated  
Financial Statements

1<sup>st</sup> quarter of 2020

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Condensed Consolidated Income Statement

| USD thousands                             | Note  | Q1 20          | Q1 19          | FY 19          |
|---|-------|----------------|----------------|----------------|
| <b>Operating revenue</b>                  | 2,3   | <b>197,430</b> | <b>201,383</b> | <b>823,195</b> |
| Other gains and losses                    |       | 445            | 47             | 1,312          |
| Personnel expenses                        |       | (78,478)       | (74,058)       | (328,353)      |
| Other operating expenses                  |       | (37,457)       | (54,590)       | (164,395)      |
| <b>EBITDA</b>                             |       | <b>81,941</b>  | <b>72,782</b>  | <b>331,759</b> |
| Depreciation, amortisation and impairment | 5,6,7 | (49,019)       | (42,228)       | (185,192)      |
| <b>Operating profit (EBIT)</b>            |       | <b>32,921</b>  | <b>30,553</b>  | <b>146,567</b> |
| Net financial items                       | 14    | (8,501)        | (19,991)       | (102,762)      |
| <b>Profit/(loss) before tax</b>           |       | <b>24,420</b>  | <b>10,562</b>  | <b>43,805</b>  |
| Income taxes                              |       | (1,639)        | (608)          | (2,984)        |
| <b>Profit/(loss) for the period</b>       |       | <b>22,781</b>  | <b>9,954</b>   | <b>40,820</b>  |
| <b>Earnings per share (USD)</b>           |       |                |                |                |
| Basic earnings per share                  | 10    | 0.09           | 0.03           | 0.17           |
| Diluted earnings per share                | 10    | 0.09           | 0.03           | 0.17           |

### Condensed Consolidated Statement of Comprehensive Income

| USD thousands  | Note | Q1 20           | Q1 19         | FY 19         |
|--|------|-----------------|---------------|---------------|
| <b>Profit/(loss) for the period</b>                            |      | <b>22,781</b>   | <b>9,954</b>  | <b>40,820</b> |
| <b>Other comprehensive income:</b>                             |      |                 |               |               |
| Items that will not be reclassified to profit or loss:         |      |                 |               |               |
| Actuarial gain / (loss) on post employment benefit obligations |      | (2,521)         | -             | (304)         |
| Items that are or may be reclassified to profit or loss:       |      |                 |               |               |
| Cash flow hedges   |      | (11,850)        | (485)         | 1,124         |
| Currency translation differences                               |      | (22,644)        | 1,517         | 446           |
| <b>Other comprehensive income for the period, net of tax</b>   |      | <b>(37,015)</b> | <b>1,032</b>  | <b>1,265</b>  |
| <b>Total comprehensive income for the period</b>               |      | <b>(14,234)</b> | <b>10,986</b> | <b>42,085</b> |

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Condensed Consolidated Statement of Financial Position

| USD thousands                           | Note | 31.03.2020       | 31.03.2019       | 31.12.2019       |
|---|------|------------------|------------------|------------------|
| <b>Assets</b>                           |      |                  |                  |                  |
| Deferred tax asset                      |      | 952              | 1,312            | 777              |
| Intangible assets                       | 6    | 24,983           | 29,933           | 29,678           |
| Property, plant and equipment           | 6,7  | 2,256,868        | 2,292,243        | 2,280,867        |
| Financial non-current assets            | 4    | 120              | 475              | 1,726            |
| <b>Total non-current assets</b>         |      | <b>2,282,923</b> | <b>2,323,962</b> | <b>2,313,048</b> |
| Trade receivables                       |      | 157,815          | 140,853          | 174,158          |
| Contract assets                         |      | 8,139            | -                | 9,392            |
| Other current assets                    | 4    | 30,783           | 18,098           | 20,104           |
| Cash and cash equivalents               |      | 174,075          | 190,833          | 169,694          |
| <b>Total current assets</b>             |      | <b>370,812</b>   | <b>349,784</b>   | <b>373,348</b>   |
| <b>Total assets</b>                     |      | <b>2,653,736</b> | <b>2,673,746</b> | <b>2,686,396</b> |
| <b>Equity and liabilities</b>           |      |                  |                  |                  |
| Total paid-in capital                   | 13   | 564,959          | 564,959          | 564,959          |
| Other equity                            |      | 483,316          | 469,831          | 497,419          |
| <b>Total equity</b>                     |      | <b>1,048,275</b> | <b>1,034,790</b> | <b>1,062,378</b> |
| Non-current interest-bearing borrowings | 11   | 1,179,495        | 647,706          | 1,173,882        |
| Non-current lease liabilities           | 7    | 32,419           | 37,312           | 38,901           |
| Post-employment benefits                |      | 4,873            | 9,526            | 7,725            |
| Non-current contract liabilities        |      | 1,542            | 690              | 1,559            |
| Other non-current liabilities           | 4    | 11,577           | -                | 9,663            |
| <b>Total non-current liabilities</b>    |      | <b>1,229,907</b> | <b>695,234</b>   | <b>1,231,730</b> |
| Current interest-bearing borrowings     | 11   | 210,272          | 794,238          | 216,581          |
| Current lease liabilities               | 7    | 6,560            | 8,132            | 7,757            |
| Contract liabilities                    |      | 35,618           | 22,266           | 39,265           |
| Trade payables                          |      | 56,884           | 51,704           | 46,168           |
| Other current liabilities               | 4    | 66,219           | 67,383           | 82,517           |
| <b>Total current liabilities</b>        |      | <b>375,553</b>   | <b>943,723</b>   | <b>392,288</b>   |
| <b>Total liabilities</b>                |      | <b>1,605,460</b> | <b>1,638,957</b> | <b>1,624,018</b> |
| <b>Total equity and liabilities</b>     |      | <b>2,653,736</b> | <b>2,673,746</b> | <b>2,686,396</b> |

Unaudited

**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

**Condensed Consolidated Statement of Changes in Equity**

| USD thousands                                   | Total paid-in  |                | Total equity     | Equity attributable to: |                   |                  |
|---|----------------|----------------|------------------|-------------------------|-------------------|------------------|
|   | capital        | Other equity   |                  | Common shares           | Preference shares | Total equity     |
| Balance at 1 January 2019                       | 564,959        | 458,714        | 1,023,673        | 946,464                 | 77,209            | 1,023,673        |
| Profit/(loss) for the period                    | -              | 9,954          | 9,954            | 8,050                   | 1,904             | 9,954            |
| Other comprehensive income for the period       | -              | 1,032          | 1,032            | 1,032                   | -                 | 1,032            |
| Total comprehensive income for the period       | -              | 10,986         | 10,986           | 9,082                   | 1,904             | 10,986           |
| Dividend paid to preference share holders       | -              | -              | -                | -                       | -                 | -                |
| Cost of Share-option plan                       | -              | 130            | 130              | 130                     | -                 | 130              |
| Transactions with owners                        | -              | 130            | 130              | 130                     | -                 | 130              |
| <b>Balance at 31 March 2019</b>                 | <b>564,959</b> | <b>469,831</b> | <b>1,034,790</b> | <b>955,677</b>          | <b>79,113</b>     | <b>1,034,790</b> |
| Total comprehensive income for the period Q2-Q4 | -              | 31,099         | 31,099           | 25,185                  | 5,914             | 31,099           |
| Transactions with owners for the period Q2-Q4   | -              | (3,511)        | (3,511)          | 398                     | (3,909)           | (3,511)          |
| <b>Balance at 31 December 2019</b>              | <b>564,959</b> | <b>497,419</b> | <b>1,062,378</b> | <b>981,260</b>          | <b>81,118</b>     | <b>1,062,378</b> |
| Profit/(loss) for the period                    | -              | 22,781         | 22,781           | 20,764                  | 2,017             | 22,781           |
| Other comprehensive income for the period       | -              | (37,015)       | (37,015)         | (37,015)                | -                 | (37,015)         |
| Total comprehensive income for the period       | -              | (14,234)       | (14,234)         | (16,251)                | 2,017             | (14,234)         |
| Dividend to preference share holders            | -              | -              | -                | -                       | -                 | -                |
| Cost of Share-option plan                       | -              | 132            | 132              | 132                     | -                 | 132              |
| Transactions with owners                        | -              | 132            | 132              | 132                     | -                 | 132              |
| <b>Balance at 31 December 2019</b>              | <b>564,959</b> | <b>483,316</b> | <b>1,048,275</b> | <b>965,141</b>          | <b>83,134</b>     | <b>1,048,275</b> |

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Condensed Consolidated Statement of Cash Flows

| USD thousands  | Note | Q1 20           | Q1 19            | FY 19            |
|--|------|-----------------|------------------|------------------|
| <b>Cash flows from operating activities:</b>                   |      |                 |                  |                  |
| Profit/(loss) before tax                                       |      | 24,420          | 10,562           | 43,805           |
| Adjustment for provisions and other non-cash elements          |      | 44,023          | 64,015           | 281,642          |
| Changes in working capital                                     |      | (6,633)         | (22,790)         | (46,640)         |
| <b>Cash generated from operations</b>                          |      | <b>61,811</b>   | <b>51,786</b>    | <b>278,808</b>   |
| Interest paid  |      | (17,869)        | (15,321)         | (77,940)         |
| Net income tax (paid) / refunded                               |      | (799)           | (534)            | (2,549)          |
| <b>Net cash flow from operating activities</b>                 |      | <b>43,143</b>   | <b>35,931</b>    | <b>198,319</b>   |
| <b>Cash flows from investing activities:</b>                   |      |                 |                  |                  |
| Purchase of property, plant and equipment                      | 5,6  | (23,880)        | (310,654)        | (425,579)        |
| Capitalised interest paid                                      |      | -               |                  | (7,027)          |
| Proceeds from sale of property, plant and equipment            |      | 793             | 77               | 3,345            |
| Other long term receivables                                    |      | -               | 47               | 46               |
| Proceeds from financial investments incl. joint ventures       |      | -               | -                | 967              |
| <b>Net cash flow from investing activities</b>                 |      | <b>(23,087)</b> | <b>(310,530)</b> | <b>(428,247)</b> |
| <b>Cash flows from financing activities:</b>                   |      |                 |                  |                  |
| Net (payments)/proceeds from borrowings financial institutions | 11   | 25,000          | 313,734          | 805,162          |
| Repayment of borrowings to financial institutions              | 11   | (28,053)        | (17,700)         | (564,253)        |
| Repayment of lease liabilities                                 | 7    | (1,497)         | (1,917)          | (6,297)          |
| Net proceeds from capital increases                            |      | -               | -                | -                |
| Dividends paid to preference share holders                     |      | -               | -                | (3,909)          |
| <b>Net cash flow from financing activities</b>                 |      | <b>(4,550)</b>  | <b>294,117</b>   | <b>230,704</b>   |
| Effects of exchange rate changes on cash and cash equivalents  |      | (11,126)        | (3,447)          | (5,843)          |
| <b>Net increase (decrease) in cash and cash equivalents</b>    |      | <b>4,380</b>    | <b>16,072</b>    | <b>(5,067)</b>   |
| Cash and cash equivalents at beginning of period               |      | 169,694         | 174,761          | 174,761          |
| <b>Cash and cash equivalents at period end</b>                 |      | <b>174,075</b>  | <b>190,833</b>   | <b>169,694</b>   |

Unaudited

## Note 1 | Accounting Principles

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### General information

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

Odfjell Drilling Ltd., is incorporated in Bermuda with registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and is tax resident in the United Kingdom with its head office at Bergen House, Crawpeel Road, Altens, Aberdeen, AB12 3LG.

These condensed interim financial statements were approved by the Board of Directors on 12 May 2020 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the three months period ended 31 March 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019.

### 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 capitalisation for the oil and gas service providers 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 and available options for financing into consideration the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

### Accounting principles

The accounting principles adopted are consistent with those of the previous financial year.

### Use of estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 5 Intangible assets*, and *Note 6 Property, plant and equipment* where assumptions and sensitivity analysis for goodwill and mobile drilling units are presented.

Income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Note 2 | Segment summary

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 from January 2020 prepared according to IFRS. Comparative figures are adjusted accordingly.

- **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 drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

- **D&T:** Within the D&T 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.

- **OWS:** The OWS segment provides casing and tubular running services, wellbore cleaning in addition to drilling tool and tubular rental services both for exploration wells and for production purposes.

| USD thousands  | Mobile Offshore Drilling Units |                | Drilling & Technology |               | Well Services |                | Corporate / Eliminations |                | Consolidated   |                |
|--|--------------------------------|----------------|-----------------------|---------------|---------------|----------------|--------------------------|----------------|----------------|----------------|
|  | Q1 20                          | Q1 19          | Q1 20                 | Q1 19         | Q1 20         | Q1 19          | Q1 20                    | Q1 19          | Q1 20          | Q1 19          |
| External segment revenue                               | 142,175                        | 151,930        | 31,918                | 30,350        | 21,229        | 18,944         | 2,108                    | 158            | 197,430        | 201,383        |
| Inter segment revenue                                  | -                              | -              | 4,269                 | 4,127         | 6,988         | 5,768          | (11,257)                 | (9,894)        | -              | -              |
| <b>Total revenue</b>                                   | <b>142,175</b>                 | <b>151,930</b> | <b>36,187</b>         | <b>34,477</b> | <b>28,217</b> | <b>24,712</b>  | <b>(9,149)</b>           | <b>(9,736)</b> | <b>197,430</b> | <b>201,383</b> |
| <b>EBITDA</b>  | <b>70,077</b>                  | <b>67,393</b>  | <b>2,652</b>          | <b>2,105</b>  | <b>8,844</b>  | <b>4,958</b>   | <b>368</b>               | <b>(1,674)</b> | <b>81,941</b>  | <b>72,782</b>  |
| Depreciation and impairment                            | (40,859)                       | (33,913)       | (27)                  | (19)          | (5,915)       | (6,168)        | (2,218)                  | (2,128)        | (49,019)       | (42,228)       |
| <b>EBIT</b>  | <b>29,218</b>                  | <b>33,480</b>  | <b>2,624</b>          | <b>2,085</b>  | <b>2,929</b>  | <b>(1,210)</b> | <b>(1,850)</b>           | <b>(3,802)</b> | <b>32,921</b>  | <b>30,553</b>  |
| Net financial items                                    |                                |                |                       |               |               |                |                          |                | (8,501)        | (19,991)       |
| <b>Profit / (loss) before tax - Consolidated Group</b> |                                |                |                       |               |               |                |                          |                | <b>24,420</b>  | <b>10,562</b>  |

| USD thousands  | Mobile Offshore Drilling Units | Drilling & Technology | Well Services  | Corporate / Eliminations | Consolidated   |
|--|--------------------------------|-----------------------|----------------|--------------------------|----------------|
|  | FY 19                          | FY 19                 | FY 19          | FY 19                    | FY 19          |
| External segment revenue                               | 598,915                        | 130,551               | 85,348         | 8,380                    | 823,195        |
| Inter segment revenue                                  | -                              | 16,352                | 25,834         | (42,186)                 | -              |
| <b>Total revenue</b>                                   | <b>598,915</b>                 | <b>146,904</b>        | <b>111,182</b> | <b>(33,806)</b>          | <b>823,195</b> |
| <b>EBITDA</b>  | <b>291,314</b>                 | <b>17,410</b>         | <b>32,099</b>  | <b>(9,063)</b>           | <b>331,759</b> |
| Depreciation and impairment                            | (153,507)                      | (84)                  | (22,986)       | (8,616)                  | (185,192)      |
| <b>EBIT</b>  | <b>137,807</b>                 | <b>17,326</b>         | <b>9,113</b>   | <b>(17,679)</b>          | <b>146,567</b> |
| Net financial items                                    |                                |                       |                |                          | (102,762)      |
| <b>Profit / (loss) before tax - Consolidated Group</b> |                                |                       |                |                          | <b>43,805</b>  |

Unaudited



## Odfjell Drilling Ltd.

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### Note 3 | Revenue

| USD thousands                         | Q1 20          | Q1 19          | FY 19          |
|---------------------------------------|----------------|----------------|----------------|
| Revenue from contracts with customers | 189,450        | 195,725        | 790,312        |
| Other operating revenue               | 7,980          | 5,657          | 32,883         |
| <b>Operating revenue</b>              | <b>197,430</b> | <b>201,383</b> | <b>823,195</b> |

#### Disaggregation of revenue

| USD thousands                       | Mobile Offshore<br>Drilling Units |                | Drilling &<br>Technology |               | Well Services |               | Corporate /<br>Elimination |                | Consolidated   |                |
|-------------------------------------|-----------------------------------|----------------|--------------------------|---------------|---------------|---------------|----------------------------|----------------|----------------|----------------|
|                                     | Q1 20                             | Q1 19          | Q1 20                    | Q1 19         | Q1 20         | Q1 19         | Q1 20                      | Q1 19          | Q1 20          | Q1 19          |
| <b>Primary geographical markets</b> |                                   |                |                          |               |               |               |                            |                |                |                |
| Norway                              | 111,851                           | 45,004         | 22,426                   | 22,051        | 14,343        | 9,512         | (8,606)                    | (8,914)        | 140,014        | 67,653         |
| UK                                  | 30,016                            | 38,788         | 13,761                   | 12,427        | 2,440         | 2,242         | (903)                      | (829)          | 45,314         | 52,628         |
| Europe - other countries            | -                                 | -              | -                        | -             | 5,406         | 5,275         | 257                        | -              | 5,663          | 5,275          |
| Asia                                | 308                               | 309            | -                        | -             | 5,799         | 7,355         | 103                        | 6              | 6,211          | 7,671          |
| Africa                              | -                                 | 67,829         | -                        | -             | 200           | 277           | -                          | -              | 200            | 68,106         |
| Other geographical markets          | -                                 | -              | -                        | -             | 29            | 51            | -                          | -              | 29             | 51             |
| <b>Total operating revenue</b>      | <b>142,175</b>                    | <b>151,930</b> | <b>36,187</b>            | <b>34,477</b> | <b>28,217</b> | <b>24,712</b> | <b>(9,149)</b>             | <b>(9,736)</b> | <b>197,430</b> | <b>201,383</b> |

| USD thousands                       | Mobile Offshore<br>Drilling Units |                | Drilling &<br>Technology |                 | Well Services  |       | Corporate /<br>Elimination |       | Consolidated |       |
|-------------------------------------|-----------------------------------|----------------|--------------------------|-----------------|----------------|-------|----------------------------|-------|--------------|-------|
|                                     | FY 19                             | FY 19          | FY 19                    | FY 19           | FY 19          | FY 19 | FY 19                      | FY 19 | FY 19        | FY 19 |
| <b>Primary geographical markets</b> |                                   |                |                          |                 |                |       |                            |       |              |       |
| Norway                              | 364,521                           | 93,126         | 49,766                   | (30,289)        | 477,124        |       |                            |       |              |       |
| UK                                  | 166,079                           | 53,778         | 9,906                    | (3,637)         | 226,125        |       |                            |       |              |       |
| Europe - other countries            | -                                 | -              | 22,769                   | -               | 22,769         |       |                            |       |              |       |
| Asia                                | 487                               | -              | 27,508                   | 120             | 28,115         |       |                            |       |              |       |
| Africa                              | 67,829                            | -              | 1,024                    | -               | 68,853         |       |                            |       |              |       |
| Other geographical markets          | -                                 | -              | 209                      | -               | 209            |       |                            |       |              |       |
| <b>Total operating revenue</b>      | <b>598,915</b>                    | <b>146,904</b> | <b>111,182</b>           | <b>(33,806)</b> | <b>823,195</b> |       |                            |       |              |       |

Unaudited

## Note 4 | Financial risk management and Financial instruments

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### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in note 11. The Deepsea Bergen facility, currently outstanding USD 25 million, matures 30 September 2020.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2019. Reference is made to note 27 *Events after the reporting period* in the annual financial statements regarding COVID-19 and oil prices. There are no material changes compared to the descriptions in the year-end financial statements.

Calculation of the Group's sensitivity to interest rate fluctuations showed that the effect of an increase in interest rates by one percentage point (e.g. from 4.0% to 5.0%) is approximately USD 7.6 million annually including interest rate swaps, which is approximately 2.4 million lower than at year-end 2019 due to interest swaps contracts entered into in 2020.

### Liquidity risk

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has per 31 March 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour.

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except changes in non-current liabilities as disclosed in note 11.

### Credit risk

Compared to year end, there was no material change in credit risk for the Group.

### Fair value estimation

The table below analyses 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.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Note 4 | Financial risk management and Financial instruments - cont.

Set out below, is an overview of financial assets, other than cash and cash equivalents, held by the Group:

| USD thousands  | Level | 31.03.2020     | 31.03.2019     | 31.12.2019     |
|--|-------|----------------|----------------|----------------|
| <b>Financial assets at fair value through profit or loss</b> |       |                |                |                |
| Derivatives not designated as hedging instruments            |       |                |                |                |
| - Interest rate swaps - Other non-current assets             | 2     | -              | 352            | -              |
| - Foreign exchange forward contracts - Other current assets  | 2     | -              | -              | 23             |
| Derivatives designated as hedging instruments                |       |                |                |                |
| - Interest rate swaps - Other non-current assets             | 2     | -              | -              | 1,606          |
| - Foreign exchange forward contracts - Other current assets  | 2     | -              | 242            | -              |
| <b>Debt instruments at amortised cost</b>                    |       |                |                |                |
| - Other non-current receivables                              | 3     | 120            | 123            | 120            |
| - Trade and other current receivables                        | 3     | 170,321        | 149,854        | 187,521        |
| <b>Total financial assets</b>                                |       | <b>170,442</b> | <b>150,571</b> | <b>189,270</b> |

| USD thousands   | Level | 31.03.2020       | 31.03.2019       | 31.12.2019       |
|---|-------|------------------|------------------|------------------|
| <b>Financial liabilities at fair value through profit or loss</b> |       |                  |                  |                  |
| Derivatives not designated as hedging instruments                 |       |                  |                  |                  |
| - Interest rate swaps - Other non-current liabilities             | 2     | -                | -                | 70               |
| - Interest rate swaps - Other current liabilities                 | 2     | 446              | 260              | -                |
| - Foreign exchange forward contracts - Other current liabilities  | 2     | 1,190            | -                | -                |
| Derivatives designated as hedging instruments                     |       |                  |                  |                  |
| - Interest rate swaps - Other non-current liabilities             | 2     | 10,726           | -                | 482              |
| - Foreign exchange forward contracts - Other current liabilities  | 2     | -                | 485              | -                |
| Warrant liabilities - Other non-current liabilities               | 3     | 850              | -                | 9,111            |
| <b>Financial liabilities at amortised cost</b>                    |       |                  |                  |                  |
| - Non-current lease liabilities                                   | 3     | 32,419           | 37,312           | 38,901           |
| - Current lease liabilities                                       | 3     | 6,560            | 8,132            | 7,757            |
| - Trade and other payables  | 3     | 120,775          | 95,792           | 128,092          |
| - Non-current interest-bearing borrowings                         | 3     | 1,179,495        | 647,706          | 1,173,882        |
| - Current interest-bearing borrowings                             | 3     | 210,272          | 794,238          | 216,581          |
| <b>Total financial liabilities</b>                                |       | <b>1,562,735</b> | <b>1,583,926</b> | <b>1,574,876</b> |

#### Valuation techniques used to derive Level 2 fair values

Level 2 derivatives held at fair value through profit or loss and hedging derivatives comprise interest rate swaps and foreign exchange agreements. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Interest rate swaps and foreign exchange agreements are recognised according to mark-to-market reports from external financial institutions. The effects of discounting are generally insignificant for Level 2 derivatives.

#### Fair value of financial liabilities measured at amortised cost

The fair value of interest-bearing borrowings are as follows:

|              | 31.03.2020       | 31.03.2018       | 31.12.2019       |
|--------------|------------------|------------------|------------------|
| Non-current  | 1,179,495        | 1,058,103        | 1,173,882        |
| Current      | 210,272          | 166,013          | 216,581          |
| <b>Total</b> | <b>1,389,768</b> | <b>1,224,116</b> | <b>1,390,462</b> |

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Other non-current receivables
- Trade and other current receivables
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables
- Non-current lease liabilities
- Current lease liabilities

## Odfjell Drilling Ltd.

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### Note 5 | Intangible assets

| USD thousands                                      | Goodwill      | Software and other intangible assets | Total intangible assets |
|--|---------------|--------------------------------------|-------------------------|
| Opening net book amount as at 1 January 2020       | 18,443        | 11,235                               | 29,678                  |
| Additions  | -             | 574                                  | 574                     |
| Amortisation                                       | -             | (874)                                | (874)                   |
| Currency translation differences                   | (3,004)       | (1,392)                              | (4,395)                 |
| <b>Closing net book amount as at 31 March 2020</b> | <b>15,439</b> | <b>9,543</b>                         | <b>24,983</b>           |
| Opening net book amount as at 1 January 2019       | 18,638        | 11,173                               | 29,811                  |
| Additions  | -             | 672                                  | 672                     |
| Amortisation                                       | -             | (760)                                | (760)                   |
| Currency translation differences                   | 134           | 76                                   | 210                     |
| <b>Closing net book amount as at 31 March 2019</b> | <b>18,772</b> | <b>11,161</b>                        | <b>29,933</b>           |

#### Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. 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 2020 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 within respective CGU's do not indicate any impairment requirement as at 31 March 2020.

The key assumptions used for value-in-use calculations as per Q1 2020 are as follows:

|   | Mobile Offshore Drilling Units | Drilling & Technology | Well Services |
|---|--------------------------------|-----------------------|---------------|
| EBITDA margin in prognosis period         | 14% - 16%                      | 5% - 7%               | 24% - 34%     |
| Growth rate year 6 and forward            | 0.0%                           | 0.0%                  | 0.0%          |
| Weighted Average Cost of Capital, pre-tax | 7.8 %                          | 7.9%                  | 8.1%          |

#### Sensitivity analysis for goodwill impairment test

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 ten percentage points indicated an impairment write-down of USD 9 million in the Drilling & Technology segment. None of the other scenarios indicated any impairment write-down of goodwill as at 31 March 2020.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 31 March 2020

### Note 6 | Property, plant and equipment

| USD thousands                                | Mobile<br>drilling units | Periodic<br>maintenance | Newbuild in<br>progress | Well<br>Services<br>equipment | Other fixed<br>assets | Right-of-<br>use assets | Total fixed<br>assets |
|--|--------------------------|-------------------------|-------------------------|-------------------------------|-----------------------|-------------------------|-----------------------|
| Opening net book amount as at 1 January 2020 | 2,050,569                | 106,666                 | -                       | 74,363                        | 3,357                 | 45,911                  | 2,280,867             |
| Additions                                    | 4,352                    | 20,167                  | -                       | 6,062                         | 341                   | 803                     | 31,725                |
| Disposals                                    | (55)                     | -                       | -                       | (287)                         | (7)                   | -                       | (348)                 |
| Depreciation                                 | (29,746)                 | (11,032)                | -                       | (5,367)                       | (275)                 | (1,725)                 | (48,145)              |
| Currency translation differences             | -                        | -                       | -                       | (120)                         | (236)                 | (6,875)                 | (7,231)               |
| <b>Net book amount as at 31 March 2020</b>   | <b>2,025,120</b>         | <b>115,802</b>          | <b>-</b>                | <b>74,651</b>                 | <b>3,181</b>          | <b>38,114</b>           | <b>2,256,868</b>      |
| Opening net book amount as at 1 January 2019 | 1,539,951                | 68,271                  | 246,788                 | 71,238                        | 1,883                 | -                       | 1,928,132             |
| Effect change in accounting policies         | -                        | -                       | -                       | -                             | -                     | 45,960                  | 45,960                |
| Additions                                    | 8,743                    | 22,876                  | 324,705                 | 2,167                         | 175                   | 694                     | 359,361               |
| Disposals                                    | -                        | -                       | -                       | (77)                          | (12)                  | -                       | (89)                  |
| Depreciation                                 | (22,634)                 | (11,196)                | -                       | (5,780)                       | (211)                 | (1,648)                 | (41,469)              |
| Currency translation differences             | -                        | -                       | -                       | 3                             | 11                    | 334                     | 348                   |
| <b>Net book amount as at 31 March 2019</b>   | <b>1,526,059</b>         | <b>79,952</b>           | <b>571,494</b>          | <b>67,552</b>                 | <b>1,846</b>          | <b>45,340</b>           | <b>2,292,243</b>      |
| Useful lifetime                              | 5 - 37.5 yrs             | 5 years                 | -                       | 3 - 10 years                  | 3 - 5 years           |                         |                       |
| Depreciation schedule                        | Straight line            | Straight line           | -                       | Straight line                 | Straight line         |                         |                       |

Newbuild in progress was related to Deepsea Nordkapp, a 6G harsh environment semi-submersible. The rig was constructed at Samsung Heavy Industries, South Korea, and was delivered from the shipyard 7 January 2019. The rig arrived in Norway primo April 2019, and the final completion activities was concluded 10 May 2019 when the rig commenced its contract with Aker BP.

Refer to note 7 *Leases* for more information about Right-of-use assets.

## Note 6 | Property, plant and equipment - cont.

### Impairment tests on mobile drilling units

Odffjell Drilling performs impairment tests on a regular basis. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each unit's recoverable amount. 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, operating expenses, financial utilisation and market recovery.

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 is 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 March 2020, the Group has not identified any impairment for rigs, or reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger.

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

| <b>Key assumptions</b>  | <b>Deepsea Atlantic</b><br>6G Semi | <b>Deepsea Stavanger</b><br>6G Semi | <b>Deepsea Aberdeen</b><br>6G Semi | <b>Deepsea Nordkapp</b><br>6G Semi | <b>Deepsea Bergen</b><br>3G semi |
|---|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| Weighted Average Cost of Capital (WACC)                         | 10.0%                              | 10.0%                               | 10.0%                              | 10.0%                              | 8.0%                             |
| Firm contract days  | 290                                | 318                                 | 750                                | 791                                | -                                |
| Firm contract day rates (weighted average)                      | 338                                | 424                                 | 426                                | 334                                | n/a                              |
| Future normalised base case day rates - at full market recovery | 435                                | 435                                 | 435                                | 435                                | 190                              |
| Financial utilisation in normalised period                      | 95%                                | 95%                                 | 95%                                | 95%                                | 95%                              |

| <b>Sensitivity analysis mobile drilling units</b>         |      | <b>Deepsea Atlantic</b> | <b>Deepsea Stavanger</b> | <b>Deepsea Aberdeen</b> | <b>Deepsea Nordkapp</b> | <b>Deepsea Bergen</b> |
|---|------|-------------------------|--------------------------|-------------------------|-------------------------|-----------------------|
| Estimated impairment write-down if:                       |      |                         |                          |                         |                         |                       |
| - WACC increased by                                       | 1 pp | 33,000                  | 37,000                   | -                       | 48,000                  | -                     |
| - WACC increased by                                       | 2 pp | 63,000                  | 70,000                   | 18,000                  | 89,000                  | -                     |
| - Day rate level <sup>(*)</sup> decreased by              | 5 %  | 53,000                  | 53,000                   | -                       | 53,000                  | 2,000                 |
| - Day rate level <sup>(*)</sup> decreased by              | 10 % | 107,000                 | 107,000                  | 31,000                  | 106,000                 | 4,000                 |
| - Normalised opex level increased by                      | 5 %  | 26,000                  | 26,000                   | -                       | 27,000                  | 1,000                 |
| - Normalised opex level increased by                      | 10 % | 52,000                  | 51,000                   | -                       | 54,000                  | 3,000                 |
| - Financial utilisation in normalised period decreased by | 1 pp | 11,000                  | 11,000                   | -                       | 12,000                  | -                     |
| - Financial utilisation in normalised period decreased by | 2 pp | 23,000                  | 23,000                   | -                       | 24,000                  | 1,000                 |
| - Financial utilisation in normalised period decreased by | 3 pp | 34,000                  | 34,000                   | -                       | 35,000                  | 1,000                 |

<sup>(\*)</sup> excluding firm contractual day rates

## Odfjell Drilling Ltd.

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### Note 7 | Leases

The balance sheet shows the following amounts related to leases:

| USD thousands                              | Properties    | Other fixed assets | Total Right-of-use assets |
|--|---------------|--------------------|---------------------------|
| Net book amount as at 1 January 2020       | 45,530        | 382                | 45,911                    |
| Additions                                  | 802           | 0                  | 803                       |
| Depreciation                               | (1,629)       | (96)               | (1,725)                   |
| Currency translation differences           | (6,822)       | (53)               | (6,875)                   |
| <b>Net book amount as at 31 March 2020</b> | <b>37,881</b> | <b>233</b>         | <b>38,114</b>             |

| USD thousands                              | Properties    | Other fixed assets | Total Right-of-use assets |
|--|---------------|--------------------|---------------------------|
| Net book amount as at 1 January 2019       | 45,158        | 802                | 45,960                    |
| Additions                                  | 693           | 1                  | 694                       |
| Depreciation                               | (1,546)       | (102)              | (1,648)                   |
| Currency translation differences           | 338           | (4)                | 334                       |
| <b>Net book amount as at 31 March 2019</b> | <b>44,643</b> | <b>697</b>         | <b>45,340</b>             |

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to note 6.

#### Lease liabilities

| USD thousands | 31.03.2020    | 31.03.2019    | 31.12.2019    |
|---------------|---------------|---------------|---------------|
| Non-current   | 32,419        | 37,312        | 38,901        |
| Current       | 6,560         | 8,132         | 7,757         |
| <b>Total</b>  | <b>38,980</b> | <b>45,444</b> | <b>46,659</b> |

#### Movements in non-current lease liabilities are analysed as follows:

|  | 31.03.2020    | 31.03.2019    | 31.12.2019    |
|--|---------------|---------------|---------------|
| Carrying amount as at 1 January                          | 38,901        | 37,814        | 37,814        |
| <b>Cash flows:</b>                                       |               |               |               |
| Payments for the interest portion of the lease liability | (555)         | (42)          | (1,950)       |
| <b>Non-cash flows:</b>                                   |               |               |               |
| New lease liabilities recognised in the year             | 803           | 694           | 6,981         |
| Interest expense on lease liabilities                    | 606           | 652           | 2,515         |
| Reclassified to current portion of lease liabilities     | (1,352)       | (2,089)       | (6,189)       |
| Currency exchange differences                            | (5,985)       | 282           | (270)         |
| <b>Carrying amount as at end of period</b>               | <b>32,419</b> | <b>37,312</b> | <b>38,901</b> |

#### Movements in current lease liabilities are analysed as follows:

|  | 31.03.2020   | 31.03.2019   | 31.12.2019   |
|--|--------------|--------------|--------------|
| Carrying amount as at 1 January                            | 7,757        | 7,911        | 7,911        |
| <b>Cash flows:</b>   |              |              |              |
| Payments for the principal portion of the lease liability  | (1,497)      | (1,917)      | (6,297)      |
| <b>Non-cash flows:</b>                                     |              |              |              |
| Reclassified from non-current portion of lease liabilities | 1,352        | 2,089        | 6,189        |
| Currency exchange differences                              | (1,051)      | 49           | (45)         |
| <b>Carrying amount as at end of period</b>                 | <b>6,560</b> | <b>8,132</b> | <b>7,757</b> |

## Odfjell Drilling Ltd.

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### Note 8 | Commitments

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

| USD thousands                              | 31.03.2020    | 31.03.2019    | 31.12.2019    |
|--|---------------|---------------|---------------|
| Newbuild in progress                       | -             | 26,600        | -             |
| Rig investments                            | 8,787         | 13,659        | 8,869         |
| Rental and casing equipment, due in 1 year | 5,018         | 7,966         | 4,619         |
| <b>Total</b>                               | <b>13,805</b> | <b>48,225</b> | <b>13,488</b> |

Newbuild in progress as of 31 March 2019 was related to Deepsea Nordkapp, which was completed in May 2019.

### Note 9 | Paid dividends and acquisition of own shares

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The Group has not paid dividends or acquired any of its own shares in the interim period ending 31 March 2020.



## Note 10 | Earnings per share

The basic earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders of the parent divided by the weighted average number of common shares outstanding.

When calculating the diluted earnings per share, the profit that is attributable to the common shareholders of the parent and the weighted average number of common shares outstanding are adjusted for all the dilution effects relating to warrants and share options.

The calculation takes account of all the warrants and share options that are “in-the-money” and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on warrants and share options are calculated as the difference between average fair value in an active market, and exercise price and the sum of the not recognised cost portion of the options.

The Company has issued warrants for 5,925,000 common shares, and has in addition a share option plan for 960,000 common shares. The warrants represent contingently issuable shares.

Neither the warrants nor the options affect the basic or diluted number of shares in 2019 or 2020, as the terms of execution have not occurred during the years and the share price is below level set in the warrant agreement.

The warrants and share option plan may have dilutive effects in later periods.

| USD thousands  | Q1 20         | Q1 19        | FY 19         |
|--|---------------|--------------|---------------|
| Profit/(loss) for the period   | 22,781        | 9,954        | 40,820        |
| Adjustment for dividends on preference shares                                    | (2,017)       | (1,904)      | (7,817)       |
| <b>Profit/(loss) for the period due to holders of common shares</b>              | <b>20,764</b> | <b>8,050</b> | <b>33,003</b> |
| Adjustment related to warrants and share option plan                             | -             | -            | -             |
| <b>Diluted profit/(loss) for the periode due to the holders of common shares</b> | <b>20,764</b> | <b>8,050</b> | <b>33,003</b> |
|  | Q1 20         | Q1 19        | FY 19         |
| Weighted average number of common shares in issue                                | 236,783,202   | 236,783,202  | 236,783,202   |
| Effects of dilutive potential common shares:                                     |               |              |               |
| Warrants   | -             | -            | -             |
| Share option plan  | -             | -            | -             |
| Diluted average number of shares outstanding                                     | 236,783,202   | 236,783,202  | 236,783,202   |
|  | Q1 20         | Q1 19        | FY 19         |
| Basic earnings per share   | 0.09          | 0.03         | 0.14          |
| Diluted earnings per share   | 0.09          | 0.03         | 0.14          |

## Odfjell Drilling Ltd.

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### Note 11 | Interest-bearing borrowings

| USD thousands | 31.03.2020       | 31.03.2019       | 31.12.2019       |
|---------------|------------------|------------------|------------------|
| Non-current   | 1,179,495        | 647,706          | 1,173,882        |
| Current       | 210,272          | 794,238          | 216,581          |
| <b>Total</b>  | <b>1,389,768</b> | <b>1,441,945</b> | <b>1,390,462</b> |

| Movements in non-current borrowings are analysed as follows: | 31.03.2020       | 31.03.2019     | 31.12.2019       |
|--|------------------|----------------|------------------|
| Carrying amount as at 1 January                              | 1,173,882        | 311,819        | 311,819          |
| <b>Cash flows:</b>   |                  |                |                  |
| New bank loan  | 25,000           | 325,000        | 825,000          |
| Paid transaction costs related to amendments and new loan    | -                | (11,266)       | (19,838)         |
| <b>Non-cash flows:</b>                                       |                  |                |                  |
| Reclassified from / (to) current borrowings                  | (20,594)         | (22,305)       | 4,212            |
| Seller's credit raised                                       | -                | 43,250         | 43,250           |
| Change in transaction cost, unamortised                      | 1,208            | 1,209          | 9,438            |
| <b>Carrying amount as at end of period</b>                   | <b>1,179,495</b> | <b>647,706</b> | <b>1,173,882</b> |

| Movements in current borrowings are analysed as follows: | 31.03.2020     | 31.03.2019     | 31.12.2019     |
|--|----------------|----------------|----------------|
| Carrying amount as at 1 January                          | 216,581        | 782,980        | 782,980        |
| <b>Cash flows:</b>                                       |                |                |                |
| Repayment bank loan                                      | (28,053)       | (17,700)       | (564,253)      |
| <b>Non-cash flows:</b>                                   |                |                |                |
| Reclassified from / (to) non-current borrowings          | 20,594         | 22,305         | (4,212)        |
| Change in transaction cost, unamortised                  | 61             | 832            | 2,018          |
| Change in accrued interest cost                          | 1,089          | 5,822          | 48             |
| <b>Carrying amount as at end of period</b>               | <b>210,272</b> | <b>794,238</b> | <b>216,581</b> |

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

| Repayment schedule for interest-bearing borrowings | 31.03.2020       | 31.03.2019       | 31.12.2019       |
|--|------------------|------------------|------------------|
| Maturity within 3 months                           | 74,063           | 65,500           | 28,053           |
| Maturity between 3 and 6 months                    | 39,053           | 407,000          | 74,053           |
| Maturity between 6 and 9 months                    | 67,053           | 291,553          | 39,053           |
| Maturity between 9 months and 1 year               | 21,053           | 15,553           | 67,053           |
| Maturity between 1 and 2 years                     | 511,211          | 111,211          | 511,211          |
| Maturity between 2 and 3 years                     | 84,211           | 271,211          | 84,211           |
| Maturity between 3 and 4 years                     | 300,484          | 34,211           | 263,816          |
| Maturity between 4 and 5 years                     | 300,000          | 248,513          | 332,262          |
| Maturity beyond 5 years                            | -                | -                | -                |
| <b>Total contractual amounts</b>                   | <b>1,397,125</b> | <b>1,444,750</b> | <b>1,399,709</b> |

Refer to *Note 4 Financial risk management* for further information regarding liquidity risk.

#### USD 100 million junior bank facility (Odfjell Invest facility)

USD 40 million of the junior facility was drawn on signing in June 2019, while USD 35 million was drawn in December 2019. The remaining USD 25 million was drawn 20 March 2020.

#### Available drawing facilities

The group has no available undrawn facilities as per 31 March 2020.

#### Covenants

The Group is compliant with all financial covenants as at 31 March 2020.

Unaudited

## Note 12 | Contingencies

In 2018 the company issued warrants for 5,925,000 common shares. Refer to annual report for the year ended 31 December 2019, note 23, for further description. There have been no changes to the warrant agreements in 2020.

Warrant liabilities are measured at fair value, see note 4.

There are no other material contingencies to be disclosed as per 31 March 2020.

## Note 13 | Equity & shareholder information

|  | No. of shares | Nominal value | Share capital<br>USD thousands |
|--|---------------|---------------|--------------------------------|
| <b>Listed shares</b>                               |               |               |                                |
| Common shares issued as at 31 March 2020           | 236,783,202   | USD 0.01      | 2,368                          |
| <b>Preference shares</b>                           |               |               |                                |
| Total issued preference shares as at 31 March 2020 | 16,123,125    | USD 0.01      | 161                            |

There are no changes in issued shares or preference shares in 2020.

| <b>Largest common shareholders at 31 March 2020</b> | <b>Holding</b>     | <b>% of shares</b> |
|---|--------------------|--------------------|
| Odjell Partners Ltd.                                | 142,476,191        | 60.17 %            |
| Morgan Stanley & Co. Int. Plc.                      | 6,455,457          | 2.73 %             |
| J.P.Morgan Securities PLC                           | 6,218,131          | 2.63 %             |
| J.P.Morgan Chase Bank N.A. London                   | 3,992,224          | 1.69 %             |
| J.P.Morgan Chase Bank N.A. London                   | 3,221,715          | 1.36 %             |
| Goldman Sachs & Co. LLC                             | 2,938,172          | 1.24 %             |
| Brown Brothers Harriman & Co.                       | 2,635,000          | 1.11 %             |
| State Street Bank and Trust Co.                     | 2,259,365          | 0.95 %             |
| The Bank of New York Mellon SA/NV                   | 2,214,327          | 0.94 %             |
| The Bank of New York Mellon SA/NV                   | 2,158,990          | 0.91 %             |
| Citybank, N.A.                                      | 2,048,292          | 0.87 %             |
| State Street Bank and Trust Co.                     | 1,838,591          | 0.78 %             |
| Brown Brothers Harriman & Co.                       | 1,835,680          | 0.78 %             |
| J.P.Morgan Securities LLC                           | 1,822,322          | 0.77 %             |
| J.P.Morgan Bank Luxembourg S.A.                     | 1,419,017          | 0.60 %             |
| J.P.Morgan Bank Luxembourg S.A.                     | 1,380,676          | 0.58 %             |
| Verdipapirfondet Nordea Kapital                     | 1,306,941          | 0.55 %             |
| BNP Paribas Securities Services                     | 1,300,411          | 0.55 %             |
| Cape Invest AS                                      | 1,217,459          | 0.51 %             |
| Goldman Sachs International                         | 1,199,904          | 0.51 %             |
| <b>Total 20 largest common shareholders</b>         | <b>189,938,865</b> | <b>80.22 %</b>     |
| Other common shareholders                           | 46,844,337         | 19.78 %            |
| <b>Total common shareholders</b>                    | <b>236,783,202</b> | <b>100.00 %</b>    |

## Odfjell Drilling Ltd.

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### Note 14 | Net financial items

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| USD thousands                                      | Note | Q1 20          | Q1 19           | FY 19            |
|--|------|----------------|-----------------|------------------|
| Interest income                                    |      | 538            | 932             | 2,661            |
| Interest expense lease liabilities                 | 7    | (606)          | (652)           | (2,515)          |
| Other interest expenses                            |      | (19,019)       | (21,749)        | (85,702)         |
| Other borrowing expenses                           |      | (1,270)        | (2,041)         | (11,456)         |
| Capitalised borrowing costs                        |      | -              | 5,293           | 7,914            |
| Change in fair value of derivatives <sup>(*)</sup> |      | 6,672          | (265)           | (9,757)          |
| Dividend / gain other financial investments        |      | -              | -               | 967              |
| Net currency gain/(loss)                           |      | 5,249          | (977)           | (3,712)          |
| Other financial items                              |      | (66)           | (532)           | (1,161)          |
| <b>Net financial items</b>                         |      | <b>(8,501)</b> | <b>(19,991)</b> | <b>(102,762)</b> |

<sup>(\*)</sup> Including change in fair value of warrant liabilities.

### Note 15 | Related-party transactions

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Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.17% of the common shares. Chairman of the Board, Helene Odfjell, controls Odfjell Partners Ltd.

Susanne Munch Thore (Director) controls 3,000 (0.00%) of the common shares in the company as per 31 March 2020.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 March 2020.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 476,190 (0.20%) of the common shares in the company as per 31 March 2020

There are no changes in the long term share option programme with Simen Lieungh (CEO, Odfjell Drilling AS) in 2020.

The Group have lease agreements with the related party Kokstad Holding AS Group (related to main shareholder). Reported lease liability to Kokstad Holding AS Group as at 31 March 2020 is USD 32 million, while payments in Q1 2020 amounts to USD 1 million.

There are no material changes in related party transactions in 2020.

### Note 16 - Important events occurring after the reporting period

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There have been no events after the balance sheet date with material effect on the quarterly financial statements ended 31 March 2020.