



**ODFJELL DRILLING**

## **Odfjell Drilling Ltd.**

**Report for the 2<sup>nd</sup> quarter and 1<sup>st</sup> half year of 2017**

## Key figures for the Group

All figures in USD million

Key figures Odfjell Drilling Ltd. Group	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Operating revenue.....	165	183	313	341	657
EBITDA.....	72	73	126	117	285
EBIT.....	31	31	45	36	34
Net (loss) profit.....	11	9	3	(10)	(64)
EBITDA margin.....	44%	40%	40%	34%	43%
Total assets.....			2,182	2,453	2,264
Net interest bearing debt.....			1,171	1,314	1,231
Equity.....			731	783	722
Equity ratio.....			33%	32%	32%

## Highlights Q2 2017

### Odfjell Drilling Ltd. Group

- Operating revenue of USD 165 million compared to USD 183 million in Q2 2016.
- EBITDA of USD 72 million compared to USD 73 million in Q2 2016.
- EBITDA margin of 44% compared to an EBITDA margin of 40% in Q2 2016.
- The Group's contract backlog is USD 2.7 billion, whereof USD 1.4 billion is firm backlog. The comparable figure at the end of Q2 2016 was USD 3.0 billion, whereof USD 1.8 billion was firm backlog.

### Mobile Offshore Drilling Units segment

- Operating revenue of USD 124 million compared to USD 122 million in Q2 2016.
- EBITDA of USD 67 million compared to USD 65 million in Q2 2016.
- EBITDA margin of 54% compared to 53% in Q2 2016.

### Drilling & Technology segment

- Operating revenue of USD 23 million compared to USD 37 million in Q2 2016.
- EBITDA of USD 1 million compared to an EBITDA loss of USD 0.2 million in Q2 2016.
- EBITDA margin of 4% compared to a negative EBITDA margin of 1% in Q2 2016.

### Well Services segment

- Operating revenue of USD 23 million compared to USD 29 million in Q2 2016.
- EBITDA of USD 8 million compared to USD 11 in Q2 2016.
- EBITDA margin of 34% compared to 39% in Q2 2016.

### *Deepsea Stavanger secured additional work*

On 4 July 2017, Odfjell Drilling was awarded a one well contract with Total E&P South Africa, to be drilled by the 6th generation semi-submersible, Deepsea Stavanger, offshore South Africa.

On 10 August 2017, Odfjell Drilling signed a contract with Aker BP ASA for Deepsea Stavanger covering a period of approximately 9 months. The contract is for exploration and development drilling at various locations in the Norwegian Sea and the Barents Sea.

### *Deepsea Bergen secured drilling program potentially into second half 2019*

Deepsea Bergen received on 31 May 2017, a letter of award from Statoil securing further drilling activities for the unit in 2018-2019. The contract includes one firm well plus 4 x 3 optional wells to be drilled on the Norwegian Continental Shelf ("NCS").

Furthermore, Wellesley Petroleum AS awarded on 9 June 2017 to Deepsea Bergen, a one well contract plus optional well testing and side-track on the NCS.

### *Platform Drilling secured work for TAQA*

TAQA awarded Odfjell Drilling a contract, on 12 June 2017, for platform drilling and maintenance services on five of its platforms in the UK North Sea. The contract period is for two years, with additional yearly options. Odfjell Drilling commenced the contract end of July 2017.

### *Well Services awarded contract with ConocoPhillips in Norway*

Well Services has been awarded a contract with ConocoPhillips for Casing, Tubing Running and Pulling Services on Ekofisk on the Norwegian Continental Shelf.

The duration of the contract is 4 years expected to start in Q3 2017. In addition there are 2x2 year options.

### *Secured extension of the Deepsea Bergen facility*

On 29 August 2017, Odfjell Drilling finalized the amendment and extension of the Deepsea Bergen facility as announced on 10 July 2017. The facility amount is currently USD 66 million and scheduled instalments will be USD 6 million in December 2017, USD 3.5 million in September 2018, USD 3.5 million in December 2018 and USD 7 million quarterly thereafter. A balloon of USD 4 million shall be paid together with the final instalment in 3Q 2020.

## Financial review – operations

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

### Consolidated group financials

#### Profit & loss Q2 2017

Operating revenue for Q2 2017 was USD 165 million (USD 183 million), a decrease of USD 18 million, mainly due to a reduction in activity in Drilling & Technology from Q2 16 to Q2 17. Well Services also had a reduction in activity and revenue, while Mobile Offshore Drilling Units had a minor increase of revenue.

EBITDA in Q2 2017 was USD 72 million (USD 73 million), a net decrease of USD 1 million. The decrease in EBITDA in Well Services was partly offset by improved EBITDA in Mobile Offshore Drilling Units and Drilling & Technology.

The EBITDA margin in Q2 2017 was 44% (40%). The decrease in revenue from 2016 to 2017 was offset by reduced costs mainly due to the efficiency program implemented during the market downturn.

EBIT in Q2 2017 was USD 31 million, at level with Q2 2016.

Net financial expenses in Q2 2017 amounted to USD 19 million compared to 20 million in Q2 2016.

In Q2 2017 the tax expense was USD 1 million (USD 4 million). Tax expense is mainly related to profits in Norway and the UK, in addition to withholding taxes in other countries.

Net profit in Q2 2017 was USD 11 million (USD 9 million).

#### Profit & loss YTD 2017

Operating revenue for YTD 2017 was USD 313 million (USD 341 million), a decrease of USD 28 million. Operating revenue decreased due to a reduction in activity in Drilling & Technology and Well Services from 2016 to 2017, partly offset by an increase of revenues in Mobile Offshore Drilling Units.

EBITDA YTD 2017 was USD 126 million (USD 117 million), a net increase of USD 9 million mainly due to improved EBITDA in Mobile Offshore Drilling Units, partly offset by decreased EBITDA in Well Services.

EBIT YTD 2017 was USD 45 million (USD 36 million), an increase of USD 9 million.

Net financial expenses YTD 2017 amounted to USD 38 million, at the same level with YTD 2016.

YTD 2017 the tax expense was USD 3 million, compared to USD 9 million YTD 2016.

Net profit YTD 2017 was USD 3 million, compared to a loss of USD 10 million YTD 2016.

#### Balance sheet

Total assets as at 30 June 2017 amounted to USD 2,182 million compared to USD 2,264 million as at 31 December 2016, a decrease of USD 82 million.

Equity as at 30 June 2017 amounted to USD 731 million, compared to USD 722 million as at 31 December 2016, an increase of USD 9 million.

The equity ratio was 33% as at 30 June 2017, compared to 32% at year-end 2016.

Net interest bearing debt as at 30 June 2017 amounted to USD 1,171 million, compared to USD 1,231 million as at 31 December 2016, a decrease of USD 60 million.

Odfjell Rig II Ltd., a subsidiary of Odfjell Drilling Ltd., and the owner of the mobile drilling unit Deepsea Bergen, did not comply with its minimum value requirement as at 30 June 2017. The valuation short-fall was corrected through the regular instalment in August.

### **Cash flow**

Net cash flow from operating activities in Q2 2017 was positive with USD 47 million. The Group paid USD 18 million in interest and USD 5 million in income taxes.

Net cash used in investing activities in Q2 2017 was USD 5 million. Capital expenditures of USD 7 million were offset by sale proceeds of USD 2 million.

USD 70 million was used for instalments on existing credit facilities in Q2 2017.

Net cash flow from operating activities YTD 2017 was positive at USD 74 million. YTD 2017 the Group paid USD 32 million in interest and USD 14 million in income taxes.

Net cash used in investing activities YTD 2017 was USD 14 million. Net capital expenditures of USD 16 million were offset by sale proceeds of USD 2 million.

USD 96 million was used for instalments on existing credit facilities YTD 2017.

At 30 June 2017 the cash and cash equivalents amounted to USD 148 million. There has been a total negative net change in cash and cash equivalents of USD 33 million since 31 December 2016.

## 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 report and in particular the treatment of pension effects.

### Mobile Offshore Drilling Units (MODU)

All figures in USD million

Key figures MODU segment	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Operating revenue.....	124	122	235	220	438
EBITDA.....	67	65	121	103	226
EBIT.....	34	32	55	39	10
EBITDA margin.....	54%	53%	51%	47%	52%

Operating revenue for the MODU segment in Q2 2017 was USD 124 million (USD 122 million), a slight increase of USD 2 million, or 2%. There was an increase in utilization for Deepsea Stavanger during the period compared to last year, mainly offset by lower revenue for Deepsea Bergen during the last part of Q2 2017.

EBITDA for the MODU segment in Q2 2017 was USD 67 million (USD 65 million), an increase of USD 2 million, or 3%. The increase in EBITDA relates to the similar reasons as mentioned above.

EBIT for the MODU segment in Q2 2017 was USD 34 million (USD 32 million), an increase of USD 2 million, or 6%.

Operating revenue for the MODU segment YTD 2017 was USD 235 million (USD 220 million), an increase of USD 15 million, or 7%. 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 both Deepsea Atlantic and Deepsea Stavanger were idle during parts of the 1st half of the year. The increase in utilization was partly offset by lower day rate for Deepsea Bergen during Q2 2017.

EBITDA for the MODU segment YTD 2017 was USD 121 million (USD 103 million), an increase of USD 18 million, or 18%. The increase in EBITDA relates mainly to the change in revenue as explained above and reduced operating expenses.

EBIT for the MODU segment YTD 2017 was USD 55 million (USD 39 million), an increase of USD 16 million, or 41%.

## MODU - Financial utilisation

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

Financial Utilisation - MODU	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Deepsea Stavanger.....	97.6 %	99.7 %	97.5 %	99.7 %	99.7 %
Deepsea Atlantic.....	99.5 %	99.9 %	97.9 %	99.7 %	97.3 %
Deepsea Bergen.....	99.3 %	97.8 %	98.9 %	96.8 %	96.4 %
Deepsea Aberdeen.....	98.0 %	99.7 %	96.6 %	98.2 %	98.3 %

- Deepsea Stavanger has been operating for Wintershall on the NCS in Q2 2017.
- Deepsea Atlantic has been operating for Statoil on the NCS in Q2 2017.
- Deepsea Bergen has been operating for Statoil until 21 May 2017 and thereafter for Faroe Petroleum from 23 May 2017, both on the NCS.
- Deepsea Aberdeen has been operating for BP West of Shetland in Q2 2017.

## Drilling & Technology

All figures in USD million

Key figures Drilling & Technology segment	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Operating revenue.....	23	37	44	75	131
EBITDA.....	1	(0)	1	(1)	(0)
EBIT.....	1	(2)	1	(3)	(4)
EBITDA margin.....	4%	(1%)	2%	(1%)	0%

Operating revenue for the Drilling & Technology segment in Q2 2017 was USD 23 million (USD 37 million), a decrease of USD 14 million, or 37 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services in this quarter compared to Q2 2016.

EBITDA for the Drilling & Technology segment in Q2 2017 was USD 1 million (negative USD 0.2 million), an improvement of USD 1 million. EBIT for the Drilling & Technology segment in Q2 2017 was USD 1 million (negative USD 2 million), an improvement of USD 3 million. The improvement in EBITDA and EBIT is mainly explained by an adjustment of cost level according to activity and more profitable contracts in the portfolio.

Operating revenue for the Drilling & Technology segment YTD 2017 was USD 44 million (USD 75 million), a decrease of USD 31 million, or 41 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services in the period.

EBITDA for the Drilling & Technology segment YTD 2017 was USD 1 million (negative USD 1 million), an increase of USD 2 million. EBIT for the Drilling & Technology segment YTD 2017 was USD 1 million (negative USD 3 million), a positive increase of USD 4 million. The improvement in EBITDA and EBIT is mainly explained by an adjustment of cost level according to activity and more profitable contracts in the portfolio.

## Well Services

All figures in USD million

Key figures Well Services segment	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Operating revenue.....	23	29	43	58	110
EBITDA.....	8	11	13	21	43
EBIT.....	1	3	(2)	4	11
EBITDA margin.....	34%	39%	30%	37%	39%

Operating revenue for the Well Services segment in Q2 2017 was USD 23 million (USD 29 million), a decrease of USD 6 million, or 21%. The reduction of revenue for the Well Services segment in Q2 2017 compared to last year is explained primarily by reduced market prices and lower activity level in all markets. Lower drilling activity in the market has led to lower utilization of well service equipment globally resulting in a general price pressure due to increased competition in all service segments.

EBITDA for the Well Services segment in Q2 2017 was USD 8 million (USD 11 million), a decrease of USD 3 million, or 30%. EBITDA margin for the Well Services segment in Q2 2017 was 34% compared to 39% for Q2 2016.

EBIT for the Well Services segment in Q2 2017 was USD 1 million (USD 3 million), a decrease of USD 2 million, or 67%. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenues. This is partly offset by reduced costs as Well Services continued to reduce its cost base during Q2 2017.

Operating revenue for the Well Services segment YTD 2017 was USD 43 million (USD 58 million), a decrease of USD 15 million, or 26%. The decrease in YTD 2017 revenue is explained by the same factors as for Q2 2017.

EBITDA for the Well Services segment YTD 2017 was USD 13 million (USD 21 million), a decrease of USD 8 million, or 38%. EBITDA margin for the Well Services segment YTD 2017 was 30% compared to 37% for YTD 2016.

EBIT for the Well Services segment YTD 2017 was negative USD 2 million (USD 4 million), a decrease of USD 6 million. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenue.



## Outlook

The drilling and oil service market remains weak, but there are, however, signs of market stabilization and an increasing number of enquiries. Due to the substantial supply of new build rigs in recent years, especially in the UDW market, the gap between supply and demand is significant. The effect of the efficiency programs carried out by the oil companies have led to a substantial cost reduction in field development and production. This combined with an increased oil price is expected to lead to an increased activity level in the medium to long term.

Within the next few years we believe the continued scrapping of older midwater and harsh environment units in combination with required exploration and development drilling will bring the harsh environment market back to balance and subsequently improved day rates. Odfjell Drilling has a fleet mainly consisting of 6th generation semi submersibles capable of working in harsh environments and ultra-deep markets providing operational and geographical flexibility to meet future requirements.

Deepsea Stavanger started operations for Wintershall at the Maria field on 20 March 2017 and will continue to work for Aker BP from Q1 2018 until the start of mobilization to South Africa for the one well contract with Total in Q4 2018. Deepsea Aberdeen is contracted until 2022 for BP West of Shetland, Deepsea Atlantic is contracted to Statoil until 2019 on the Johan Sverdrup field and Deepsea Bergen currently operates for Statoil until end of August 2017. The unit will subsequently work for Wellesley and OMV Norge before returning to Statoil - keeping the rig in operation potentially into the second half of 2019.

Well Services has faced increased competition and price pressure for its services globally. We currently observe an increased tender activity in the European and Middle East markets, however the over-supply of equipment will, in the short to medium term, continue to keep pressure on prices. Well Services has maintained its low capital expenditures to enhance utilisation of the existing equipment base.

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 organisation and is well positioned to compete in the current market environment.

## Risks and uncertainties

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 and developments in the financial markets and within the Group. Furthermore, as the Group's fully owned fleet consists of only four 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 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 Deepsea Bergen facility has been amended and extended with a new maturity date set to 30 September 2020, subject to satisfactory backlog.]

The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding, and hence the going concern principle, 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. The Company monitors the total liquidity position and will take measures if necessary. The Group has, through the latest years, implemented cost reduction and efficiency improvement programs and continued its focus on capital discipline in order to improve its competitiveness in a challenging market.

With a volatile rig market and illiquid second-hand market, there is a risk that future broker valuations may not meet the minimum value clauses agreed with lenders.

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

Key figures QHSE	YTD 2017	FY 2016
Lost time incident frequency (as per 1 million working hours).....	0.6	0.6
Total recordable incident frequency (as per 1 million working hours).....	2.0	1.8
Sick leave (percentage).....	2.8	3.1
Dropped objects frequency (as per 1 million working hours).....	4.4	4.5
Number of employees.....	1,997	1,708

Hamilton, Bermuda  
29 August 2017

Board of Directors of Odfjell Drilling Ltd.

Carl-Erik Haavaldsen, Chairman

Helene Odfjell, Director

Kirk L. Davis, Director

Bengt Lie Hansen, Director

Henry H. Hamilton III, Director

## **Appendix 1: Definitions of alternative performance measures**

### *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.*

### *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*

### *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.*



**ODFJELL DRILLING**

Odfjell Drilling Ltd.

Condensed Consolidated  
Financial Statements

2<sup>nd</sup> quarter and 1<sup>st</sup> half year of 2017

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Condensed Consolidated Income Statement

USD thousands	Note	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
<b>Operating revenue</b>	3	<b>164,687</b>	<b>182,953</b>	<b>313,038</b>	<b>341,373</b>	<b>657,392</b>
Other gains and losses		30	172	165	283	629
Share of profit (loss) from Deep Sea Metro Ltd. Group	3,8	-	-	-	20	20
Personnel expenses		(62,460)	(72,662)	(123,808)	(145,330)	(232,561)
Other operating expenses		(30,509)	(37,561)	(63,138)	(79,088)	(140,663)
<b>EBITDA</b>		<b>71,748</b>	<b>72,901</b>	<b>126,257</b>	<b>117,259</b>	<b>284,817</b>
Depreciation, amortisation and impairment	4	(40,472)	(41,452)	(81,197)	(81,414)	(250,722)
<b>Operating profit (EBIT)</b>		<b>31,277</b>	<b>31,449</b>	<b>45,060</b>	<b>35,844</b>	<b>34,094</b>
Share of profit (loss) from other joint ventures	8	(586)	1,381	(1,108)	1,286	1,399
Net financial items	13	(19,038)	(19,705)	(37,770)	(38,004)	(74,046)
<b>Profit/(loss) before tax</b>		<b>11,652</b>	<b>13,124</b>	<b>6,182</b>	<b>(874)</b>	<b>(38,553)</b>
Income taxes	10	(695)	(4,384)	(2,712)	(9,345)	(25,141)
<b>Profit/(loss) for the period</b>		<b>10,958</b>	<b>8,740</b>	<b>3,470</b>	<b>(10,219)</b>	<b>(63,694)</b>
<b>Earnings per share (USD)</b>						
Basic earnings per share	7	0.06	0.04	0.02	(0.05)	(0.32)
Diluted earnings per share	7	0.06	0.04	0.02	(0.05)	(0.32)

### Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
<b>Profit/(loss) for the period</b>		<b>10,958</b>	<b>8,740</b>	<b>3,470</b>	<b>(10,219)</b>	<b>(63,694)</b>
<b>Other comprehensive income:</b>						
Items that will not be reclassified to profit or loss:						
Actuarial gain / (loss) on post employment benefit obligations		-	-	-	-	(4,526)
Items that are or may be reclassified to profit or loss:						
Cash flow hedges		247	(297)	710	(223)	470
Currency translation differences		3,451	(2,586)	4,492	2,014	(1,689)
<b>Other comprehensive income for the period, net of tax</b>		<b>3,698</b>	<b>(2,883)</b>	<b>5,202</b>	<b>1,792</b>	<b>(5,744)</b>
<b>Total comprehensive income for the period</b>		<b>14,655</b>	<b>5,857</b>	<b>8,672</b>	<b>(8,428)</b>	<b>(69,438)</b>

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.06.2017	30.06.2016	31.12.2016
<b>Assets</b>				
Deferred tax asset		2,464	6,051	2,498
Intangible assets	4	32,904	35,048	33,009
Property, plant and equipment	4	1,849,173	2,068,769	1,912,754
Financial fixed assets	2,8	7,830	8,670	8,739
<b>Total non-current assets</b>		<b>1,892,371</b>	<b>2,118,538</b>	<b>1,957,000</b>
Spare parts		1,809	3,190	1,782
Trade receivables	14	120,563	143,938	111,090
Other current assets	2	19,191	21,913	12,097
Cash and cash equivalents		148,310	165,713	181,623
<b>Total current assets</b>		<b>289,873</b>	<b>334,753</b>	<b>306,591</b>
<b>Total assets</b>		<b>2,182,244</b>	<b>2,453,291</b>	<b>2,263,592</b>
<b>Equity and liabilities</b>				
Total paid-in capital		328,841	328,841	328,841
Other equity		401,917	454,256	393,245
<b>Total equity</b>		<b>730,758</b>	<b>783,096</b>	<b>722,086</b>
Non-current interest-bearing borrowings	9	1,113,116	483,255	1,208,180
Post-employment benefits		16,408	36,503	17,554
Other non-current liabilities	2	5,998	6,234	1,623
<b>Total non-current liabilities</b>		<b>1,135,523</b>	<b>525,993</b>	<b>1,227,358</b>
Current interest-bearing borrowings	9	206,019	996,901	204,058
Trade payables		28,398	26,591	17,233
Other current liabilities	2,14	81,546	120,710	92,857
<b>Total current liabilities</b>		<b>315,963</b>	<b>1,144,202</b>	<b>314,148</b>
<b>Total liabilities</b>		<b>1,451,486</b>	<b>1,670,195</b>	<b>1,541,506</b>
<b>Total equity and liabilities</b>		<b>2,182,244</b>	<b>2,453,291</b>	<b>2,263,592</b>

Unaudited

**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
 (All amounts are in USD thousands unless otherwise stated)

**Condensed 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
Restated balance at 1 January 2016	1,987	326,853	(113,684)	576,368	791,524
Profit/(loss) for the period	-	-	-	(10,219)	(10,219)
Other comprehensive income for the period	-	-	1,792	-	1,792
Total comprehensive income for the period	-	-	1,792	(10,219)	(8,428)
<b>Balance at 30 June 2016</b>	<b>1,987</b>	<b>326,853</b>	<b>(111,893)</b>	<b>566,148</b>	<b>783,096</b>
Total comprehensive income for the period Q3-Q4			(3,010)	(58,000)	(61,010)
<b>Balance at 31 December 2016</b>	<b>1,987</b>	<b>326,853</b>	<b>(114,903)</b>	<b>508,148</b>	<b>722,086</b>
Profit/(loss) for the period	-	-	-	3,470	3,470
Other comprehensive income for the period	-	-	5,202	-	5,202
Total comprehensive income for the period	-	-	5,202	3,470	8,672
<b>Balance at 30 June 2017</b>	<b>1,987</b>	<b>326,853</b>	<b>(109,701)</b>	<b>511,618</b>	<b>730,758</b>

Unaudited

**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017

(All amounts are in USD thousands unless otherwise stated)

## Condensed Consolidated Statement of Cash Flows

USD thousands	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
<b>Cash flows from operating activities:</b>					
Profit/(loss) before tax	11,652	13,124	6,182	(874)	(38,553)
<i>Adjustments for:</i>					
Depreciation, amortisation and impairment	40,472	41,452	81,197	81,414	250,722
Unrealised (gain)/loss on interest rate swaps	169	228	40	1,186	(660)
Interest expense - net	16,233	14,508	32,423	29,364	60,359
Amortized borrowing cost	1,465	1,939	2,936	3,937	7,432
Share of (profit)/loss from joint ventures	586	(1,381)	1,108	(1,306)	(1,419)
Net (gain)/loss on sale of shares	(139)	-	(139)	-	-
Net (gain)/loss on sale of tangible fixed assets	(8)	(114)	(46)	(225)	(486)
Post-employment benefit expenses less payments	(607)	695	(1,630)	(8,162)	(32,873)
Net currency (gain)/loss not related to operating activities	1,789	(9,548)	2,166	(2,357)	(4,115)
<i>Changes in working capital:</i>					
Spare parts	(77)	10	4	(305)	1,079
Trade receivables	(3,310)	(14,993)	(6,263)	32,741	58,446
Trade payables	6,405	2,636	10,525	326	(11,177)
Other accruals	(5,722)	6,344	(8,009)	(33,215)	(47,724)
<b>Cash generated from operations</b>	<b>68,910</b>	<b>54,900</b>	<b>120,494</b>	<b>102,524</b>	<b>241,032</b>
Interest paid	(17,711)	(18,255)	(32,462)	(31,153)	(58,802)
Net income tax refunded (paid)	(4,509)	(5,095)	(13,887)	20,872	16,443
<b>Net cash flow from operating activities</b>	<b>46,691</b>	<b>31,549</b>	<b>74,144</b>	<b>92,243</b>	<b>198,673</b>
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	(6,988)	(7,444)	(16,682)	(20,893)	(31,229)
Proceeds from sale of property, plant and equipment	62	765	235	919	1,464
Loans granted to employees	-	(2)	-	-	-
Other long term receivables	38	57	38	28	67
Proceeds from investments, incl. joint ventures	2,263	-	2,263	7,920	7,920
<b>Net cash flow from investing activities</b>	<b>(4,626)</b>	<b>(6,624)</b>	<b>(14,147)</b>	<b>(12,025)</b>	<b>(21,778)</b>
<b>Cash flows from financing activities:</b>					
Net proceeds from borrowings financial institutions	-	-	-	-	519,226
Repayments of borrowings to financial institutions	(69,500)	(81,000)	(96,000)	(119,000)	(713,000)
<b>Net cash flow from financing activities</b>	<b>(69,500)</b>	<b>(81,000)</b>	<b>(96,000)</b>	<b>(119,000)</b>	<b>(193,774)</b>
Effects of exchange rate changes on cash and cash equivalents	1,939	5,049	2,690	2,869	(3,125)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(25,496)</b>	<b>(51,025)</b>	<b>(33,313)</b>	<b>(35,914)</b>	<b>(20,004)</b>
Cash and cash equivalents at beginning of period	173,806	216,738	181,623	201,626	201,626
<b>Cash and cash equivalents at period end</b>	<b>148,310</b>	<b>165,713</b>	<b>148,310</b>	<b>165,713</b>	<b>181,623</b>

Unaudited



## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

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

These condensed interim financial statements were approved by the Board of Directors for issue on 29 August 2017 and have not been audited.

#### Basis for preparation

These condensed interim financial statements for the six months period ended 30 June 2017 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 2016.

#### Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log.

The substantial reduction 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 into consideration, management 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 2016.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 4 Tangible and intangible assets*, 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 ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 2 | Financial risk management and Financial instruments

#### 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 November 2021. Successful refinancing of each facility may be dependent on contract backlog, asset values and overall financial market conditions.

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 2016. There are no material changes compared to the description 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%) was approximately USD 11.4 million for FY 2016 including interest rate swaps. There is no material change in the Group's interest rate sensitivity compared to year-end.

#### Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities, except changes in non-current liabilities as disclosed in note 9.

#### 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.

<b>Assets at</b>	<b>Level</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>31.12.2016</b>
Available-for-sale financial assets				
- Other current assets	2	5,602	-	-
Derivatives held as hedge instrument				
- Other non-current assets	2	171	-	235
<b>Total assets</b>		<b>5,773</b>	<b>-</b>	<b>235</b>
<b>Liabilities at</b>	<b>Level</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>31.12.2016</b>
Derivatives held at fair value through profit or loss				
- Other non current liabilities	2	141	1,882	101
- Other current liabilities	2	-	125	-
Derivatives held as hedge instrument				
- Other non current liabilities	2	-	1,171	-
- Other current liabilities	2	-	-	774
<b>Total liabilities</b>		<b>141</b>	<b>3,178</b>	<b>875</b>

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 2 | Financial risk management and Financial instruments - cont.

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#### 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 borrowings are as follows:

	30.06.2017	30.06.2016	31.12.2016
Non-current	1,113,116	483,255	1,208,180
Current	206,019	996,901	204,058
<b>Total</b>	<b>1,319,135</b>	<b>1,480,156</b>	<b>1,412,239</b>

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

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### 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	
	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16
External segment revenue	123,557	120,760	21,315	35,645	17,751	23,134	2,064	3,414	164,687	182,953
Inter segment revenue	598	1,023	1,887	1,459	5,223	6,088	(7,708)	(8,571)	-	-
<b>Total revenue</b>	<b>124,155</b>	<b>121,783</b>	<b>23,202</b>	<b>37,104</b>	<b>22,974</b>	<b>29,222</b>	<b>(5,644)</b>	<b>(5,157)</b>	<b>164,687</b>	<b>182,953</b>
<b>EBITDA</b>	<b>66,745</b>	<b>64,633</b>	<b>980</b>	<b>(205)</b>	<b>7,863</b>	<b>11,282</b>	<b>(3,839)</b>	<b>(2,809)</b>	<b>71,748</b>	<b>72,901</b>
Depreciation and impairment	(33,023)	(32,845)	(219)	(1,314)	(7,182)	(8,292)	(48)	998	(40,472)	(41,452)
<b>EBIT</b>	<b>33,721</b>	<b>31,788</b>	<b>761</b>	<b>(1,519)</b>	<b>681</b>	<b>2,990</b>	<b>(3,887)</b>	<b>(1,810)</b>	<b>31,277</b>	<b>31,449</b>

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16
External segment revenue	234,387	218,418	40,232	69,667	34,649	46,392	3,770	6,896	313,038	341,373
Inter segment revenue	988	1,868	3,748	5,470	8,780	11,276	(13,516)	(18,614)	-	-
<b>Total revenue</b>	<b>235,375</b>	<b>220,287</b>	<b>43,980</b>	<b>75,138</b>	<b>43,429</b>	<b>57,668</b>	<b>(9,746)</b>	<b>(11,718)</b>	<b>313,038</b>	<b>341,373</b>
<b>EBITDA</b>	<b>121,184</b>	<b>102,804</b>	<b>941</b>	<b>(926)</b>	<b>12,938</b>	<b>21,142</b>	<b>(8,805)</b>	<b>(5,761)</b>	<b>126,257</b>	<b>117,259</b>
Depreciation and impairment	(65,847)	(64,154)	(439)	(2,551)	(14,713)	(16,710)	(197)	2,001	(81,197)	(81,414)
<b>EBIT</b>	<b>55,337</b>	<b>38,650</b>	<b>502</b>	<b>(3,477)</b>	<b>(1,776)</b>	<b>4,432</b>	<b>(9,002)</b>	<b>(3,760)</b>	<b>45,060</b>	<b>35,844</b>

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 3 | Segment summary - cont.

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services	Corporate / Eliminations	Consolidated
	FY 16	FY 16	FY 16	FY 16	FY 16
External segment revenue	433,756	124,273	87,530	11,833	657,392
Inter segment revenue	4,149	7,056	22,574	(33,779)	-
<b>Total revenue</b>	<b>437,905</b>	<b>131,329</b>	<b>110,103</b>	<b>(21,946)</b>	<b>657,392</b>
<b>EBITDA</b>	<b>226,399</b>	<b>(24)</b>	<b>43,145</b>	<b>15,296</b>	<b>284,817</b>
Depreciation and impairment	(216,285)	(4,061)	(32,303)	1,927	(250,722)
<b>EBIT</b>	<b>10,113</b>	<b>(4,085)</b>	<b>10,842</b>	<b>17,223</b>	<b>34,094</b>

Reconciliation:	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
<b>EBIT for reportable segments</b>	<b>35,164</b>	<b>33,259</b>	<b>54,063</b>	<b>39,605</b>	<b>16,871</b>
Corporate / Eliminations	(4,195)	(1,561)	(9,621)	(7,001)	(14,787)
Share of profit from DSM Ltd. Group	-	-	-	20	20
Accounting differences	307	(249)	618	3,221	31,990
<b>EBIT - Consolidated Group</b>	<b>31,277</b>	<b>31,449</b>	<b>45,060</b>	<b>35,844</b>	<b>34,094</b>
Share of profit (loss) from other joint ventures	(586)	1,381	(1,108)	1,286	1,399
Net financial items	(19,038)	(19,705)	(37,770)	(38,004)	(74,046)
<b>Profit / (loss) before tax - Consolidated Group</b>	<b>11,652</b>	<b>13,124</b>	<b>6,182</b>	<b>(874)</b>	<b>(38,553)</b>

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 4 | Tangible and intangible fixed assets

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Machinery & equipment	Total fixed assets
Opening net book amount as at 1 January 2017	1,680,965	124,892	105,027	1,870	1,912,754
Additions	10,319	4,192	1,721	96	16,328
Disposals	0	(0)	(121)	(68)	(189)
Depreciation	(43,741)	(21,228)	(14,203)	(632)	(79,803)
Impairment / (reversal of impairment)	-	-	-	-	-
Currency translation differences	-	-	51	33	84
<b>Closing net book amount as at 30 June 2017</b>	<b>1,647,543</b>	<b>107,856</b>	<b>92,475</b>	<b>1,299</b>	<b>1,849,173</b>
Restated net book amount as at 1 January 2016	1,841,007	158,235	128,578	3,544	2,131,364
Additions	7,546	7,979	4,497	27	20,049
Disposals	(425)	-	(270)	-	(695)
Depreciation	(45,216)	(17,875)	(16,140)	(937)	(80,169)
Impairment	-	-	-	-	-
Currency translation differences	482	(2,410)	114	35	(1,779)
<b>Closing net book amount as at 30 June 2016</b>	<b>1,803,393</b>	<b>145,929</b>	<b>116,779</b>	<b>2,669</b>	<b>2,068,769</b>
Useful lifetime	5 - 35 years	5 years	3 - 10 years	3 - 5 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	

#### Impairment tests mobile drilling units

Odfjell 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 30 June 2017, no impairment has been identified for any of the rigs.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 4 | Tangible and intangible fixed assets - cont

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

<b>Key assumptions</b>		<b>Deepsea Atlantic</b>	<b>Deepsea Stavanger</b>	<b>Deepsea Aberdeen</b>	<b>Deepsea Bergen</b>
		6G Semi	6G Semi	6G Semi	3G semi
Weighted Average Cost of Capital (WACC)		10.5%	10.5%	10.5%	9.0%
Firm contract days		608	639	1,735	204
Firm contract day rates (weighted average)		295	300	450	151
Future normalised base case day rates - at full market recovery		435	435	435	225
Financial utilisation in normalised period		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 Bergen</b>
Estimated impairment write-down if:					
- WACC increased by	1 pp	40,000	42,000	-	1,000
- WACC increased by	2 pp	76,000	78,000	33,000	3,000
- Day rate level decreased by	5%	37,000	42,000	-	7,000
- Day rate level decreased by	10%	79,000	85,000	-	14,000
- Normalised opex level increased by	5%	19,000	19,000	-	4,000
- Normalised opex level increased by	10%	38,000	39,000	-	8,000
- Financial utilisation in normalised period decreased by	1 pp	8,000	10,000	-	2,000
- Financial utilisation in normalised period decreased by	2 pp	15,000	20,000	-	3,000
- Financial utilisation in normalised period decreased by	3 pp	23,000	29,000	-	5,000

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 4 | Tangible and intangible fixed assets - cont

USD thousands	Goodwill	Software	Total intangible assets
Opening net book amount as at 1 January 2017	18,786	14,223	33,009
Additions	-	354	354
Amortisation	-	(1,393)	(1,393)
Currency translation differences	539	396	935
<b>Closing net book amount as at 30 June 2017</b>	<b>19,325</b>	<b>13,579</b>	<b>32,904</b>
Opening net book amount as at 1 January 2016	18,383	15,417	33,800
Additions	-	844	844
Amortisation	-	(1,246)	(1,246)
Currency translation differences	899	751	1,649
<b>Closing net book amount as at 30 June 2016</b>	<b>19,281</b>	<b>15,766</b>	<b>35,048</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 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 discount factor applied in the cash flow projections is a pre-tax weighted average cost of capital.

The key assumptions used for value-in-use calculations as per Q2 2017 are as follows:

	Drilling & Technology	Well Services
EBITDA margin in prognosis period	1% - 8%	39% - 43%
Growth rate year 6 and forward	0.0%	0.0%
Weighted Average Cost of Capital (WACC)	6.7%	7.9%

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 30.06.2017.

The prognosis for the EBITDA margin in 2017 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 and reflect specific risks relating to the relevant operating segments.

#### 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 15 million. None of the other scenarios indicated any impairment write-down of goodwill as at 30.06.2017.



## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 5 | 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	30.06.2017	30.06.2016	31.12.2016
Rig investments*	4,424	6,000	16,310
Rental and casing equipment, due in 1 year	276	722	1,953
<b>Total</b>	<b>4,700</b>	<b>6,722</b>	<b>18,263</b>

\*Rig investments as per 30 June 2017 is mainly for Deepsea Stavanger investments related to the Wintershall contract in 2017.

### Note 6 | Paid dividends and acquisition of own shares

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The Group has not paid dividends in the interim period ending 30 June 2017.

### Note 7 | Earnings per share

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Earnings per share is based on the issued number of shares in Odfjell Drilling Ltd., which were 198,736,900 shares as at 30 June 2017. Comparative figures (EPS) are presented retrospectively based on the number of issued shares as at 30 June 2017.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 8 | Financial fixed assets

USD thousands	30.06.2017	30.06.2016	31.12.2016
Investment in joint ventures	7,405	8,329	8,217
Investment in financial instruments	171	-	235
Other long term receivables	254	341	287
<b>Total financial fixed assets</b>	<b>7,830</b>	<b>8,670</b>	<b>8,739</b>

#### The Group's change in investment in Deep Sea Metro Group Ltd. is specified as follows:

USD thousands	30.06.2017	30.06.2016	31.12.2016
Opening net book amount as at beginning of the period	-	7,900	7,900
Repayment of capital	-	(7,920)	(7,920)
Share of profits classified as operating	-	20	20
<b>Closing net book amount as at end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>

As part of a larger restructuring of Golden Close Maritime Corp. Ltd., 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.

#### The Group's change in investment in Robotic Drilling Systems AS is specified as follows:

USD thousands	30.06.2017	30.06.2016	31.12.2016
Opening net book amount as at beginning of the period	8,217	6,519	6,519
Share of profits classified as financial	(1,108)	1,306	1,399
Currency translation differences	296	524	299
<b>Closing net book amount as at end of period</b>	<b>7,405</b>	<b>8,349</b>	<b>8,217</b>

Share of profit or loss from Robotic Drilling Systems AS and other joint ventures are presented below EBIT due to not being a part of the Group's core operational activities, but recognised as financial investments.

There have been no changes to the Group's investments in Guarapari Drilling BV, Siri Drilling BV and Itioca Drilling BV, which are all valued at 0 as at 30.06.2016, 31.12.2016 and 30.06.2017.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 9 | Interest-bearing borrowings

USD thousands	30.06.2017	30.06.2016	31.12.2016
Non-current	1,113,116	483,255	1,208,180
Current	206,019	996,901	204,058
<b>Total</b>	<b>1,319,135</b>	<b>1,480,156</b>	<b>1,412,239</b>

Movements in non-current borrowings are analysed as follows:	30.06.2017	30.06.2016	31.12.2016
Carrying amount as at 1 January	1,208,180	878,664	878,664
New bank loan raised	-	-	525,000
Reclassified to current portion of non current borrowings	(98,000)	(397,516)	(194,000)
Paid transaction costs related to new bank loan	-	-	(5,774)
Change in transaction cost, unamortised	2,936	2,107	4,290
<b>Carrying amount as at end of period</b>	<b>1,113,116</b>	<b>483,255</b>	<b>1,208,180</b>

Movements in current borrowings are analysed as follows:	30.06.2017	30.06.2016	31.12.2016
Carrying amount as at 1 January	204,058	718,360	718,360
Repayment bank loan	(96,000)	(119,000)	(713,000)
Reclassified to current portion of non current borrowings	98,000	397,516	194,000
Change in transaction cost, unamortised	-	1,830	3,142
Change in accrued interest cost	(39)	(1,805)	1,556
<b>Carrying amount as at end of period</b>	<b>206,019</b>	<b>996,901</b>	<b>204,058</b>

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 cash flows.

Repayment schedule for interest-bearing borrowings	30.06.2017	30.06.2016	31.12.2016
Maturity within 3 months	26,500	38,000	26,500
Maturity between 3 and 6 months	71,500	556,000	69,500
Maturity between 6 and 9 months	26,500	14,000	26,500
Maturity between 9 months and 1 year	71,500	57,000	71,500
Maturity between 1 and 2 years	416,000	146,000	193,000
Maturity between 2 and 3 years	452,000	366,000	747,000
Maturity between 3 and 4 years	52,000	52,000	52,000
Maturity between 4 and 5 years	211,000	52,000	237,000
Maturity beyond 5 years	-	211,000	-
<b>Total contractual amounts</b>	<b>1,327,000</b>	<b>1,492,000</b>	<b>1,423,000</b>

The Deepsea Bergen facility is included in the maturity table above according to contractual maturity dates as they were at balance sheet dates, with the last instalment due in August 2018. However, Odfjell Rig II Ltd., a subsidiary of Odfjell Drilling Ltd. and rig owner of Deepsea Bergen, received on 11 July 2017 a firm offer from its bank syndicate to amend and extend its senior secured term loan facility. Reference is made to Note 15 - Subsequent events.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Note 9 | Interest-bearing borrowings - cont

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The amendment to the Deepsea Bergen facility, see Note 15, will result in a reclassification of USD 36 million from current to non-current interest-bearing borrowings. See updated table below:

<b>Updated repayment schedule for interest-bearing borrowings</b>	<b>30.06.2017</b>	<b>Effect amendment</b>
Maturity within 3 months	26,500	-
Maturity between 3 and 6 months	63,500	(8,000)
Maturity between 6 and 9 months	12,500	(14,000)
Maturity between 9 months and 1 year	57,500	(14,000)
Maturity between 1 and 2 years	413,000	(3,000)
Maturity between 2 and 3 years	480,000	28,000
Maturity between 3 and 4 years	63,000	11,000
Maturity between 4 and 5 years	211,000	-
Maturity beyond 5 years	-	-
<b>Total contractual amounts</b>	<b>1,327,000</b>	<b>-</b>

The group has no available undrawn facilities as per 30 June 2017.

#### Covenants

The Odfjell Drilling Group is compliant with all financial covenants as at 30 June 2017.

Odfjell Rig II Ltd., a subsidiary of Odfjell Drilling Ltd., and the owner of the mobile drilling unit Deepsea Bergen, did not comply with its minimum value requirement as at 30 June 2017. The valuation short-fall was corrected through the regular instalment in August.

With a volatile rig market and illiquid second-hand market, there is a risk that future broker valuations may not meet the minimum value clauses agreed with lenders.

## Odfjell Drilling Ltd.

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### Note 10 | Income taxes

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Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

USD thousands	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Withholding tax, ordinary taxation	(341)	(543)	(731)	(1,430)	(2,386)
Tax payable, ordinary taxation	(306)	(3,847)	(1,885)	(5,116)	(14,904)
Change in deferred tax, ordinary taxation	(48)	6	(97)	(2,799)	(7,852)
<b>Total tax expense</b>	<b>(695)</b>	<b>(4,384)</b>	<b>(2,712)</b>	<b>(9,345)</b>	<b>(25,141)</b>
Average tax rate	6%	33%	44%	(1069%)	(65%)

Tax payable, ordinary taxation is the best estimate of tax payable based on ordinary profit and loss in the respective jurisdictions with applicable tax rates.

### Note 11 | Contingencies

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There are no material contingencies to be disclosed as per 30 June 2017.

**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
 (All amounts are in USD thousands unless otherwise stated)

**Note 12 | Equity & shareholder information**

<b>Largest shareholders at 30 June 2017</b>	<b>Holding</b>	<b>% of total</b>
Odfjell Partners Ltd.	142,000,000	71.45%
Fidelity Select Portfolios: Energy	6,663,192	3.35%
Deutsche Bank AG	6,450,000	3.25%
J.P.Morgan Chase Bank N.A. London	5,863,322	2.95%
State Street Bank and Trust Co.	4,595,699	2.31%
RBC Investor Services Trust	2,000,000	1.01%
Fidelity Select Portfolios: Energy	1,434,080	0.72%
Skeie Technology AS	1,350,000	0.68%
Eika Norge	1,321,398	0.66%
Skeie Capital Investment AS	1,050,000	0.53%
VPF Nordea Kapital	1,020,321	0.51%
J.P.Morgan Chase Bank N.A. London	991,376	0.50%
Lieungh, Simen	952,381	0.48%
VPF Nordea Avkastning	731,449	0.37%
FSP - Natural Resources	696,800	0.35%
MSIP Equity	670,275	0.34%
Citybank, N.A.	614,422	0.31%
Danske Bank AS	613,308	0.31%
Fidelity Advisor Natural Resources	564,256	0.28%
Helmer AS	500,000	0.25%
<b>Total 20 largest shareholders</b>	<b>180,082,279</b>	<b>90.61%</b>
Other shareholders	18,654,621	9.39%
<b>Total shareholders</b>	<b>198,736,900</b>	<b>100.00%</b>

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.

**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

**Note 13 | Net financial items**

USD thousands	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
Interest income	221	353	458	572	819
Interest expense	(16,455)	(14,860)	(32,881)	(29,937)	(61,177)
Other borrowing expenses	(1,598)	(1,939)	(3,187)	(3,937)	(7,877)
Gain/(loss) on interest rate swaps	(169)	(228)	(40)	(1,186)	660
Net currency gain/(loss)	(850)	(2,686)	(1,546)	(2,840)	(4,926)
Other financial items	(187)	(345)	(574)	(678)	(1,544)
<b>Net financial items</b>	<b>(19,038)</b>	<b>(19,705)</b>	<b>(37,770)</b>	<b>(38,004)</b>	<b>(74,046)</b>

**Note 14 | Related-party transactions**

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 71.45% of the shares. Helene Odfjell controls Odfjell Partners Ltd. Simen Lieungh (CEO & President) controls 0.48% of the shares in the company as per 30 June 2017.

The Group had the following material transactions with related parties:

USD thousands	Q2 17	Q2 16	YTD 17	YTD 16	FY 16
<b>Sales of services:</b>					
- Robotic Drilling System AS	10	-	20	-	33
- Deep Sea Metro Ltd. Group	-	5,842	3,770	19,204	30,487
<b>Total</b>	<b>10</b>	<b>5,842</b>	<b>3,791</b>	<b>19,204</b>	<b>30,520</b>
<b>Operating expenses:</b>					
- Kokstad Holding AS group (related to main share holder)	1,548	1,618	3,163	2,688	6,293
- Robotic Drilling System AS	-	-	-	-	91
<b>Total</b>	<b>1,548</b>	<b>1,618</b>	<b>3,163</b>	<b>2,688</b>	<b>6,384</b>

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

USD thousands	30.06.2017	30.06.2016	31.12.2016
<b>Current receivables:</b>			
- Robotic Drilling System AS	88	-	4
- Deep Sea Metro Ltd. Group	-	3,054	1,840
<b>Total</b>	<b>88</b>	<b>3,054</b>	<b>1,844</b>
<b>Current liabilities:</b>			
- Robotic Drilling System AS	168	-	65
- Deep Sea Metro Ltd. Group	-	3,570	11,875
<b>Total</b>	<b>168</b>	<b>3,570</b>	<b>11,940</b>

## **Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### **Note 15 - Important events occurring after the reporting period**

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On 4 July 2017, Odfjell Drilling was awarded a one well contract with Total E&P South Africa to be drilled by the 6th generation semi-submersible, Deepsea Stavanger, offshore South Africa.

On 10 August 2017, Odfjell Drilling signed a contract with Aker BP ASA for Deepsea Stavanger for a period of approximately 9 months. The contract is for exploration and development drilling at various locations in the Norwegian Sea and the Barents Sea.

On 29 August 2017, Odfjell Drilling finalized the amendment and extension of the Deepsea Bergen facility as announced on 10 July 2017. The facility amount is currently USD 66 million and scheduled instalments will be USD 6 million in December 2017, USD 3.5 million in September 2018, USD 3.5 million in December 2018 and USD 7 million quarterly thereafter. A balloon of USD 4 million shall be paid together with the final instalment in 3Q 2020.

There have been no other events after the balance date with material effect for the quarterly financial statements ended 30 June 2017.



## Odjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ended 30 June 2017  
(All amounts are in USD thousands unless otherwise stated)

### Responsibility statement

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We confirm, to the best of our knowledge, that the condensed set of consolidated financial statements for the period 1 January to 30 June 2017 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major transactions with related parties.

Bermuda, 29 August 2017  
Board of Directors of Odjell Drilling Ltd.

\_\_\_\_\_  
Carl-Erik Haavaldsen  
Chairman  
(Sign.)

\_\_\_\_\_  
Helene Odjell  
Director  
(Sign.)

\_\_\_\_\_  
Kirk L. Davis  
Director  
(Sign.)

\_\_\_\_\_  
Henry Hamilton III  
Director  
(Sign.)

\_\_\_\_\_  
Bengt Lie Hansen  
Director  
(Sign.)