Odfjell Drilling Ltd.

Report for the 2nd quarter and 1st half of 2019

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	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Operating revenue...	186	175	388	350	698
EBITDA..	72	66	145	122	259
EBIT..	27	26	58	42	99
Net profit (loss)...	(0)	7	10	0	27
EBITDA margin...	39%	38%	37%	35%	37%
Total assets..			2,697	2,310	2,276
Net interest bearing debt...			1,256	986	920
Equity..			1,035	1,005	1,024
Equity ratio..			38%	44%	45%

Highlights Q2 2019

Odfjell Drilling Ltd. Group

- Operating revenue of USD 186 million compared to USD 175 million in Q2 2018.
- EBITDA of USD 72 million compared to USD 66 million in Q2 2018.
- EBITDA margin of 39% compared to an EBITDA margin of 38% in Q2 2018.
- The Group's contract backlog is USD 2.3 billion, whereof USD 1.3 billion is firm backlog. The comparable figure at the end of Q2 2018 was USD 2.7 billion, whereof USD 1.6 billion was firm backlog.

Mobile Offshore Drilling Units segment

- Operating revenue of USD 132 million compared to USD 119 million in Q2 2018.
- EBITDA of USD 63 million compared to USD 55 million in Q2 2018.
- EBITDA margin of 48% compared to an EBITDA margin of 46% in Q2 2018.

Drilling & Technology segment

- Operating revenue of USD 37 million compared to USD 34 million in Q2 2018.
- EBITDA of USD 4 million compared to USD 1 million to Q2 2018.
- EBITDA margin of 11% compared to an EBITDA margin of 2% in Q2 2018.

Well Services segment

- Operating revenue of USD 27 million same as in Q2 2018.
- EBITDA of USD 7 million same as in Q2 2018.
- EBITDA margin of 25% compared to an EBITDA margin of 26% in Q2 2018.

Commencement of operation for Deepsea Nordkapp

Deepsea Nordkapp commenced its 2+1+1 year contract with Aker BP on 10 May 2019 after a successful delivery from Samsung Heavy Industries in Korea and pre operational preparations at CCB shipyard outside Bergen, Norway.

USD 775 million refinancing

Odfjell Drilling, has on 28 May 2019, received firm bank commitments for a refinancing related to its 2019 debt maturities.

The former facility covering Deepsea Atlantic and Deepsea Stavanger, with USD 400 million outstanding, was replaced by a new senior facility of USD 425 million. In addition, a junior facility of USD 100 million was entered into. The senior facility will be repaid by quarterly instalments of USD 12.5 million, first time six months after drawdown. The junior facility has no fixed instalments, but shall on certain conditions be partly repaid annually from Q3 2021 by free and available liquidity of the Odfjell Drilling Group above USD 175 million. Interest is payable at LIBOR plus an overall margin depending on the level of net debt to EBITDA for the Odfjell Drilling group, resulting in an estimated combined average margin of around 400 bps over LIBOR during the tenor of the facilities. The tenor of both facilities is 5 years.

The former Drilling Services facility, with USD 250 million outstanding, was amended and extended to November 2021. The facility is divided in two tranches; Tranche A of USD 150 million which is non-amortising, and Tranche B of USD 100 million with semi-annual instalments of USD 20 million, first time in November. Interest is payable at LIBOR plus an average margin of 470 bps.

The final documentation for the USD 775 million refinancing was signed on 26 June 2019 and drawdown was made on 28 June 2019. USD 40 million was utilised under the junior facility, whereas the remaining USD 60 million will be utilised in two separate tranches latest by 31 March 2020.

Deepsea Stavanger secured more work for Total in South Africa

Odfjell Drilling, has on 11 July 2019, signed a firm drilling contract with oil major Total for drilling offshore South Africa with the 6th generation semi-submersible, Deepsea Stavanger.

The contract value including compensation for mobilization and demobilization periods is estimated as being USD 145 - 190 million plus incentives. The company expects the drilling program to take 180-280 days. Mobilization to South Africa is expected to start in Q1 2020.

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q2 2019

Operating revenue for Q2 2019 was USD 186 million (USD 175 million), an increase of USD 11 million, mainly due to increased revenue in the MODU segment from Q2 2018 to Q2 2019.

EBITDA in Q2 2019 was USD 72 million (USD 66 million), an increase of USD 6 million, mainly due to increased EBITDA from the MODU segment. Implementation of *IFRS 16 Leases* has affected the Q2 2019 EBITDA positively with USD 2 million, while the Q2 2018 EBITDA was positively impacted by a pension adjustment of USD 6 million.

The EBITDA margin in Q2 2019 was 39% (38%).

EBIT in Q2 2019 was USD 27 million (USD 26 million), an increase of USD 1 million.

Net financial expenses in Q2 2019 amounted to USD 27 million (USD 18 million). The increase of USD 9 million includes recognised modification loss related to the extension and amendment of the Drilling Services USD 250 million bank facility, and change in net currency losses.

In Q2 2019 the tax expense was USD 1 million (USD 1 million).

Net loss in Q2 2019 was USD 0.1 million (net profit USD 7 million).

Profit & loss YTD 2019

Operating revenue for YTD 2019 was USD 388 million (USD 350 million), an increase of USD 38 million, mainly due to increased revenue in the MODU segment from YTD 2018 to YTD 2019.

EBITDA in YTD 2019 was USD 145 million (USD 122 million), an increase of USD 23 million, mainly due to increased EBITDA from the MODU segment. Implementation of *IFRS 16 Leases* has affected the YTD 2019 EBITDA positively with USD 4 million, while the YTD 2018 EBITDA was positively impacted by a pension adjustment of USD 6 million.

The EBITDA margin in YTD 2019 was 37% (35%).

EBIT in YTD 2019 was USD 58 million (USD 42 million), an increase of USD 16 million.

Net financial expenses in YTD 2019 amounted to USD 47 million (USD 40 million). The increase of USD 7 million includes recognised modification loss related to the extension and amendment of the Drilling Services USD 250 million bank facility, and increased interest expenses.

In YTD 2019 the tax expense was USD 1 million (USD 1 million).

Net profit in YTD 2019 was USD 10 million (USD 0.2 million).

Balance sheet

Total assets as at 30 June 2019 amounted to USD 2,697 million (USD 2,276 million as at 31 December 2018), an increase of USD 421 million, mainly due to the new mobile drilling unit (Deepsea Nordkapp) in addition to right-of-use assets amounting to USD 45 million from implementing *IFRS 16 Leases.*

Equity as at 30 June 2019 amounted to USD 1,035 million (USD 1,024 million as at 31 December 2018) an increase of USD 11 million.

The equity ratio was 38% as at 30 June 2019 (45% as at 31 December 2018).

Net interest bearing debt as at 30 June 2019 amounted to USD 1,256 million (USD 920 million as at 31 December 2018), an increase of USD 336 million. The increase is mainly due to the drawn credit facilities and the seller's credit, offset by paid instalments.

Cash flow Q2 2019

Net cash flow from operating activities in Q2 2019 was positive with USD 60 million. The Group paid USD 22 million in interest related to operating activities.

Net cash outflow from investing activities in Q2 2019 was USD 62 million, mainly due to capital expenditures related to the new mobile drilling unit (Deepsea Nordkapp).

Net cash outflow from financing activities in Q2 2019 was USD 10 million. Cash flow from the drawn credit facilities, less transaction costs, amounted to USD 457 million. USD 400 million was used for repayment of the former Odfjell Invest facility, while USD 65.5 million was used for instalments on existing credit facilities in Q2 2019.

Cash flow YTD 2019

Net cash flow from operating activities in YTD 2019 was positive with USD 96 million. The Group paid USD 38 million in interest related to operating activities.

Net cash outflow from investing activities in YTD 2019 was USD 372 million, mainly due to capital expenditures related to the new mobile drilling unit (Deepsea Nordkapp).

Net cash flow from financing activities in YTD 2019 was USD 284 million. Cash flow from the drawn credit facilities, less transaction costs, amounted to USD 770 million. USD 400 million was used for repayment of the former Odfjell Invest facility, while USD 83 million was used for instalments on existing credit facilities.

At 30 June 2019 cash and cash equivalents amounted to USD 179 million. There has been a total positive net change in cash and cash equivalents of USD 4 million since 31 December 2018.

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.

Mobile Offshore Drilling Units (MODU)

All figures in USD million

Key figures MODU segment	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Operating revenue...	132	119	284	239	476
EBITDA..	63	55	130	107	226
EBIT..	26	22	60	41	94
EBITDA margin..	48%	46%	46%	45%	47%

Operating revenue for the MODU segment in Q2 2019 was USD 132 million (USD 119 million), an increase of USD 13 million, mainly due to the new rig Deepsea Nordkapp commencing operations on 10 May 2019.

EBITDA for the MODU segment in Q2 2019 was USD 63 million (USD 55 million), an increase of USD 8 million. The change in EBITDA is mainly due to the same reason as mentioned above.

EBIT for the MODU segment in Q2 2019 was USD 26 million (USD 22 million), an increase of USD 4 million.

Operating revenue for the MODU segment YTD 2019 was USD 284 million (USD 239 million), an increase of USD 45 million. This change is explained by that Deepsea Nordkapp was added to the fleet in Q2 2019 and that there was an increase in revenue for Deepsea Stavanger as a major share of revenue from the Total Brulpadda project was recognized in Q1 2019. This was partly offset by a decrease in revenue for Deepsea Atlantic as the special periodic survey was completed in late January 2019.

EBITDA for the MODU segment YTD 2019 was USD 130 million (USD 107 million), an increase of USD 23 million. The change in EBITDA is mainly due to a bonus which was achieved for the Total Brulpadda project and the same reasons as mentioned above.

EBIT for the MODU segment YTD 2019 was USD 60 million (USD 41 million), an increase of USD 19 million. The increase in EBIT relates to the changes as explained above.

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 19	Q2 18	YTD 19	YTD 18	FY 18
Deepsea Stavanger...	97.8 %	98.6 %	98.5 %	98.6 %	98.7 %
Deepsea Atlantic..	98.2 %	99.6 %	97.6 %	99.2 %	98.4 %
Deepsea Bergen...	99.5 %	99.0 %	99.1 %	99.4 %	98.2 %
Deepsea Aberdeen..	98.3 %	99.1 %	98.1 %	98.0 %	98.4 %
Deepsea Nordkapp	99.0 %	n/a	99.0 %	n/a	n/a

- Deepsea Stavanger commenced its contract with Aker BP on 7 April 2019 after its return from South Africa.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q2 2019.
- Deepsea Bergen has in Q2 2019 been operating for Ithaca on the UKCS until 25 May and thereafter commenced operations (back to back) with OMV Norge on the NCS.
- Deepsea Aberdeen has been operating for BP West of Shetland (UK) in Q2 2019.
- Deepsea Nordkapp started its first operation for Aker BP on the NCS on 10 May 2019.

Drilling & Technology (D&T)

All figures in USD million

Key figures Drilling & Technology segment	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Operating revenue……………………………………………	37	34	71	68	145
EBITDA………………………………………………………………	4	1	6	1	14
EBIT…………………………………………………………………	4	1	6	1	13
EBITDA margin…………………………………………………	11%	2%	8%	2%	9%

Operating revenue for the D&T segment in Q2 2019 was USD 37 million (USD 34 million), an increase of USD 3 million compared to Q2 2018. The increase is primarily attributable to activity within Engineering and Projects.

EBITDA for the D&T segment in Q2 2019 was USD 4 million (USD 1 million), an increase of USD 3 million. The increase in the Q2 2019 EBITDA is mainly due to increased activity, good operational performance and more profitable projects.

EBIT for the D&T segment Q2 2019 was USD 4 million (USD 1 million), an increase of USD 3 million. The increase in EBIT relates to the changes as explained above.

Operating revenue for the D&T segment YTD 2019 was USD 71 million (USD 68 million), an increase of USD 3 million. The increase in revenue was primarily attributable to increased activity for the engineering services year to date.

EBITDA for the D&T segment YTD 2019 was USD 6 million (USD 1 million), an increase of USD 5 million. The increase is related to the changes explained above.

EBIT for the D&T segment YTD 2019 was USD 6 million (USD 1 million), an increase of USD 5 million. The increase is related to the changes explained above.

Well Services (OWS)

All figures in USD million

Key figures Well Services segment	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Operating revenue……………………………………………	27	27	51	55	107
EBITDA………………………………………………………………	7	7	11	13	26
EBIT…………………………………………………………………	1	1	0	1	2
EBITDA margin…………………………………………………	25%	26%	22%	24%	24%

Operating revenue for the OWS segment in Q2 2019 was USD 27 million (USD 27 million). Although overall there was no change to the total revenue there was an increase in activity in both the Middle East/Africa/Asia (MEAA) and European markets, offset by lower income in the Norwegian markets.

EBITDA for the OWS segment in Q2 2019 was USD 7 million (USD 7 million). The EBITDA margin for the OWS segment in Q2 2019 was 25% (26%). The EBITDA contribution from the different markets is similarly affected as mentioned above.

EBIT for the OWS segment in Q2 2019 was USD 1 million (USD 1 million).

Operating revenue for the OWS segment YTD 2019 was USD 51 million (USD 55 million), a decrease of USD 4 million. The decrease in YTD 2019 revenue is largely explained by volume decrease in the Norwegian markets, particularly in Q1 2019, partly offset by an increase in revenue in MEAA markets.

EBITDA for the OWS segment YTD 2019 was USD 11 million (USD 13 million), a decrease of USD 2 million. The EBITDA margin for the OWS segment YTD 2019 was 22% (24%). The decrease in EBITDA margin is mainly due to continued price pressure affecting all markets.

EBIT for the OWS segment YTD 2019 was USD 0 million (USD 1 million).

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. This has led to increased appetite for field development and production spending across the segment, however with some regional differences. The growing fear of negative development in the world economy in recent time, has also shed uncertainty into the commodity market with volatile oil prices as a consequence.

The expected overall increase in drilling activity has been further delayed, still providing a low utilization of the total available drilling fleet for ultradeep water and benign operations in general. The harsh environment market has however continued its positive trend with significant higher activity now compared to a few years back in time. Our market will still be affected by the overall uncertainty in the world's economy, but the fundamental conditions indicate that this segment will continue to increase its activitiy level in the medium to long term horizon.

The modern fleet of harsh environment units is close to being fully utilized and there is limited access to additional units. This will as a consequence put pressure on dayrates for modern and efficient harsh environment drilling units in the medium to long run. Odfjell Drilling is well positioned in this market with a fleet consisting of 6th generation semi-submersibles with proven efficient capabilities in harsh environments.

Deepsea Stavanger commenced its current contract with Aker BP on the NCS on 7 April 2019 and will continue until commencement of its next contract with Total in South Africa whereby mobilization is expected to start in Q1 2020.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement. The contract is a well based contract and is expected to end in Q2/Q3 2020.

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

Deepsea Bergen operated for Ithaca until 25 May 2019 on the UKCS and thereafter mobilized to the NCS for an ongoing one well operations for OMV Norge. The unit will thereafter do one well for MOL also on the NCS which expects to keep Deepsea Bergen in operations throughout 2019.

Finally, the newbuild Deepsea Nordkapp was delivered from Samsung Heavy Industries 7 January 2019. The unit arrived Norway in primo April and successfully commenced its first 2+1+1 year contract with Aker BP on 10 May 2019.

OWS is still facing fierce competition for its services globally. We currently observe increased tender activity in the European and Middle East markets; however the over-supply of equipment continues to keep pressure on prices.

The slowdown in the North Sea market has led to a low activity level for development and upgrade projects over the last few years. Drilling & Technology has experienced an increased demand for its services and is well positioned to take part in the market recovery.

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 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 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 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. The Company monitors the total liquidity position and will take measures if necessary. 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 19	FY 18
Lost time incident frequency (as per 1 million working hours)..	1.0	1.0
Total recordable incident frequency (as per 1 million working hours)............................	1.6	1.6
Sick leave (percentage)..	2.7	3.1
Dropped objects frequency (as per 1 million working hours)...	1.7	3.0
Number of employees..	2,440	2,385

Aberdeen, United Kingdom
28 August 2019

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

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 Ltd.

Condensed Consolidated Financial Statements

2nd quarter and 1st half year of 2019

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Operating revenue	3,4	**186,426**	**174,861**	**387,808**	**349,666**	**698,476**
Other gains and losses		232	765	279	1,180	2,211
Personnel expenses		(78,361)	(76,256)	(152,419)	(159,898)	(303,669)
Other operating expenses		(36,219)	(33,630)	(90,808)	(68,819)	(137,871)
EBITDA		**72,078**	**65,740**	**144,860**	**122,130**	**259,147**
Depreciation, amortisation and impairment	6,7,8	(44,613)	(40,153)	(86,841)	(80,568)	(160,630)
Operating profit (EBIT)		**27,465**	**25,587**	**58,019**	**41,562**	**98,517**
Net financial items	15	(26,911)	(17,665)	(46,903)	(40,233)	(67,377)
Profit/(loss) before tax		**554**	**7,922**	**11,116**	**1,329**	**31,139**
Income taxes		(695)	(876)	(1,303)	(1,080)	(3,789)
Profit/(loss) for the period		**(141)**	**7,047**	**9,814**	**249**	**27,350**
Earnings per share (USD)						
Basic earnings per share	11	(0.01)	0.03	0.03	(0.00)	0.10
Diluted earnings per share	11	(0.01)	0.03	0.03	(0.00)	0.10

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Profit/(loss) for the period		**(141)**	**7,047**	**9,814**	**249**	**27,350**
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Actuarial gain / (loss) on post employment benefit obligations		-	-	-	-	479
Items that are or may be reclassified to profit or loss:						
Cash flow hedges		136	(130)	(349)	115	186
Currency translation differences		1,638	(6,934)	3,155	1,597	(5,597)
Other comprehensive income for the period, net of tax		**1,774**	**(7,064)**	**2,806**	**1,712**	**(4,932)**
Total comprehensive income for the period		**1,633**	**(17)**	**12,620**	**1,961**	**22,419**

Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.06.2019	30.06.2018	31.12.2018
Assets				
Deferred tax asset		1,344	2,991	1,271
Intangible assets	6	29,694	32,728	29,811
Property, plant and equipment	7,8	2,324,847	1,943,279	1,928,132
Financial non-current assets	5	121	1,129	769
Total non-current assets		**2,356,007**	**1,980,127**	**1,959,983**
Trade receivables		144,371	124,522	103,056
Contract assets		4,587	1,576	-
Other current assets	5	13,521	22,464	38,545
Cash and cash equivalents		178,873	181,121	174,761
Total current assets		**341,352**	**329,684**	**316,363**
Total assets		**2,697,359**	**2,309,811**	**2,276,345**
Equity and liabilities				
Total paid-in capital	14	564,959	564,774	564,959
Other equity		469,681	440,178	458,714
Total equity		**1,034,640**	**1,004,952**	**1,023,673**
Non-current interest-bearing borrowings	12	1,241,596	745,148	311,819
Non-current lease liabilities	8	37,415	-	-
Post-employment benefits		9,003	10,967	9,934
Non-current contract liabilities		1,020	4,505	369
Other non-current liabilities	5	376	203	-
Total non-current liabilites		**1,289,410**	**760,822**	**322,122**
Current interest-bearing borrowings	12	192,950	422,121	782,980
Current lease liabilities	8	8,284	-	-
Contract liabilities		19,888	21,910	27,584
Trade payables		52,808	36,892	42,047
Other current liabilities	5	99,379	63,113	77,940
Total current liabilities		**373,308**	**544,037**	**930,550**
Total liabilities		**1,662,718**	**1,304,859**	**1,252,672**
Total equity and liabilities		**2,697,359**	**2,309,811**	**2,276,345**

Condensed Consolidated Statement of Changes in Equity

				Equity attributable to:		
USD thousands	**Total paid-in capital**	**Other equity**	**Total equity**	**Common shares**	**Preference shares**	**Total equity**
Balance at 1 January 2018	328,841	438,216	767,057	767,057	-	767,057
	-					
Profit/(loss) for the period	-	249	249	(374)	623	249
Other comprehensive income for the period	-	1,712	1,712	1,712	-	1,712
Total comprehensive income for the period	-	1,961	1,961	1,338	623	1,961
Capital increase common shares	171,587	-	171,587	171,587	-	171,587
Capital increase preference shares	75,000	-	75,000	-	75,000	75,000
Transaction costs	(10,653)	-	(10,653)	(10,653)	-	(10,653)
Transactions with owners for the period	235,933	-	235,933	160,933	75,000	235,933
Balance at 30 June 2018	**564,774**	**440,178**	**1,004,952**	**929,329**	**75,623**	**1,004,952**
Total comprehensive income for the period Q3-Q4	-	20,458	20,458	16,663	3,795	20,458
Transactions with owners for the period Q3-Q4	185	(1,921)	(1,736)	473	(2,209)	(1,736)
Balance at 31 December 2018	**564,959**	**458,714**	**1,023,673**	**946,464**	**77,209**	**1,023,673**
Profit/(loss) for the period	-	9,814	9,814	5,985	3,829	9,814
Other comprehensive income for the period	-	2,806	2,806	2,806		2,806
Total comprehensive income for the period	-	12,620	12,620	8,791	3,829	12,620
Dividend to preference share holders	-	(1,914)	(1,914)		(1,914)	(1,914)
Cost of Share-option plan	-	262	262	262		262
Transactions with owners	-	(1,653)	(1,653)	262	(1,914)	(1,653)
Balance at 30 June 2019	**564,959**	**469,681**	**1,034,640**	**955,517**	**79,123**	**1,034,640**

Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Cash flows from operating activities:						
Profit/(loss) before tax		554	7,922	11,116	1,329	31,139
Adjustment for provisions and other non-cash elements		70,006	47,682	134,021	108,868	212,003
Changes in working capital		12,190	10,706	(10,601)	13,717	44,384
Cash generated from operations		***82,750***	***66,310***	***134,536***	***123,914***	***287,526***
Interest paid		(22,368)	(17,610)	(37,689)	(31,845)	(65,805)
Net income tax (paid) / refunded		(360)	(85)	(894)	(390)	(1,191)
Net cash flow from operating activities		**60,022**	**48,615**	**95,953**	**91,680**	**220,530**
Cash flows from investing activities:						
Purchase of property, plant and equipment	6,7	(58,476)	(235,708)	(369,130)	(241,570)	(305,876)
Capitalised interest paid		(4,568)	-	(4,568)	-	-
Proceeds from sale of property, plant and equipment		287	918	364	1,390	2,590
Other long term receivables		(3)	2	44	2	56
Proceeds from financial investments incl. joint ventures		969	-	969	-	9,739
Net cash flow from investing activities		**(61,791)**	**(234,789)**	**(372,321)**	**(240,178)**	**(293,491)**
Cash flows from financing activities:						
Net (payments)/proceeds from borrowings financial institutions	12	456,741	-	770,475	-	-
Repayment of borrowings to financial institutions	12	(465,500)	(57,500)	(483,200)	(70,000)	(145,300)
Repayment of lease liabilities	8	(1,424)		(3,341)		
Net proceeds from capital increases		-	235,933	-	235,933	236,118
Dividends paid to preference share holders		-	-	-	-	(2,209)
Net cash flow from financing activities		**(10,183)**	**178,433**	**283,934**	**165,933**	**88,609**
Effects of exchange rate changes on cash and cash equivalents		(7)	(5,122)	(3,454)	(2,284)	(6,858)
Net increase (decrease) in cash and cash equivalents		**(11,959)**	**(12,863)**	**4,112**	**15,151**	**8,791**
Cash and cash equivalents at beginning of period		190,833	193,984	174,761	165,970	165,970
Cash and cash equivalents at period end		**178,873**	**181,121**	**178,873**	**181,121**	**174,761**

Note 1 | Accounting Principles

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. A special general meeting in Odfjell Drilling Ltd resolved 11 December 2018 to migrate its head office from Bermuda to Aberdeen,Scotland.The company is as a consequence of this migration a resident of United Kingdom and the residential address is Bergen House, Crawpeel Road, Altens Aberdeen AB12 3LG, Scotland, United Kingdom.

These condensed interim financial statements were approved by the Board of Directors on 28 August 2019 and have not been audited.

Basis for preparation
These condensed interim financial statements for the six months period ended 30 June 2019 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 2018.

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 backlog.

The volatility in market capitalisation for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding 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, except for the following:

As of 1.1.2019 the group implemented IFRS 16 *Leases* using a modified retrospective approach for adoption.
See further information in note 2 and note 8.

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 2018.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 6 Intangible assets*, and *Note 7 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.

Note 2 | New accounting standards

IFRS 16 *Leases*

As of 1.1.2019 the group implemented IFRS 16 *Leases* using a modified retrospective approach for adoption. As permitted under the specific transition provisions in the standard, comparative figures for the 2018 reporting periods have not been restated.

On adoption of IFRS 16 *Leases,* the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.7%.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted for the amount of any prepaid or accrued lease payments related to that lease recognised in the balance sheet as at 31 December 2018.

The group expects that net profit after tax will decrease by approximately USD 1 million for fiscal year 2019 as a result of adopting the new rules. EBITDA is expected to increase by approximately USD 8 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease by approximately USD 8 million in fiscal year 2019 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

In applying IFRS 16 for the first time, the group will use the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs from the measurement of right–of-use assets as at 1.1.2019
- the use hindsight, such as in determining the lease term if the contract contains options to extend or terminate.

As at implementation date, the group had non-cancellable operating lease commitments of USD 61 million. The following table provides reconciliation from operating lease commitments as of 31 December 2018 under IAS 17 and lease liabilities recognised in the statement of financial position as of 1 January 2019:

USD thousands	
Operating lease commitments discloses as at 31 December 2018	**61,198**
Effect of discounting using incremental borrowing rates for the relevant assets	(14,586)
Short-term leases recognised on a straight-line basis as expense	(225)
Low-value leases recognised on a straight-line basis as expense	(421)
Adjustment for leases not yet commenced	(241)
Lease liabilities recognised as at 1 January 2019	**45,725**

Note 2 | New accounting standards - cont.

The following tables show the impacts arising from IFRS16 on the opening balance and for the first six months of 2019.

	30.06.2019			Opening balance		
Consolidated statement of financial position	**IFRS 16**	**Impact**	**IAS 17**	**IFRS 16**	**Impact**	**IAS 17**
USD thousands	30.06.2019	IFRS 16	30.06.2019	01.01.2019	IFRS 16	31.12.2018
Assets						
Deferred tax asset	1,344	117	1,228	1,271	-	1,271
Property, plant and equipment	2,324,847	45,335	2,279,512	1,974,092	45,960	1,928,132
Other non-current assets	29,815	-	29,815	30,580	-	30,580
Total non-current assets	**2,356,007**	**45,452**	**2,310,555**	**2,005,943**	**45,960**	**1,959,983**
Trade receivables and contract assets	148,957	-	148,957	103,056	-	103,056
Other current assets	13,521	(193)	13,714	38,310	(235)	38,545
Cash and cash equivalents	178,873	-	178,873	174,761	-	174,761
Total current assets	**341,352**	**(193)**	**341,545**	**316,128**	**(235)**	**316,363**
Total assets	**2,697,359**	**45,259**	**2,652,100**	**2,322,070**	**45,725**	**2,276,345**
Equity and liabilities						
Total paid-in capital	564,959	-	564,959	564,959	-	564,959
Other equity	469,681	(440)	470,122	458,714	-	458,714
Total equity	**1,034,640**	**(440)**	**1,035,081**	**1,023,673**	**-**	**1,023,673**
Non-current interest-bearing borrowings	1,241,596	-	1,241,596	311,819	-	311,819
Non-current lease liabilities	37,415	37,415	-	37,814	37,814	-
Other non-current liabilities	10,399	-	10,399	10,303	-	10,303
Total non-current liabilites	**1,289,410**	**37,415**	**1,251,995**	**359,936**	**37,814**	**322,122**
Current interest-bearing borrowings	192,950	-	192,950	782,980	-	782,980
Current lease liabilities	8,284	8,284	-	7,911	7,911	-
Other current liabilities	172,075	-	172,075	147,571	-	147,571
Total current liabilities	**373,308**	**8,284**	**365,024**	**938,461**	**7,911**	**930,550**
Total liabilities	**1,662,718**	**45,699**	**1,617,019**	**1,298,397**	**45,725**	**1,252,672**
Total equity and liabilities	**2,697,359**	**45,259**	**2,652,100**	**2,322,070**	**45,725**	**2,276,345**
Equity ratio	38%		39%	44%		45%

Note 2 | New accounting standards - cont.

The following tables show the impacts arising from IFRS16 for the first six months of 2019.

Consolidated Income Statement	**IFRS 16**	**Impact IFRS 16**	**IAS 17**	**IAS 17**	**IFRS 16**	**Impact IFRS 16**	**IAS 17**	**IAS 17**
USD thousands	Q2 19	Q2 19	Q2 19	Q2 18	YTD 19	YTD 19	YTD 19	YTD 18
Operating revenue	**186,426**	**-**	**186,426**	**174,861**	**387,808**	**-**	**387,808**	**349,666**
Other gains and losses	232	-	232	765	279	-	279	1,180
Personnel expenses	(78,361)	-	(78,361)	(76,256)	(152,419)	-	(152,419)	(159,898)
Other operating expenses	(36,219)	2,069	(38,288)	(33,630)	(90,808)	4,072	(94,880)	(68,819)
EBITDA	**72,078**	**2,069**	**70,009**	**65,740**	**144,860**	**4,072**	**140,788**	**122,130**
Depreciation, amortisation and impairment	(44,613)	(1,672)	(42,941)	(40,153)	(86,841)	(3,320)	(83,521)	(80,568)
Operating profit (EBIT)	**27,465**	**397**	**27,068**	**25,587**	**58,019**	**752**	**57,267**	**41,562**
Net financial items	(26,911)	(651)	(26,260)	(17,665)	(46,903)	(1,303)	(45,600)	(40,233)
Profit/(loss) before tax	**554**	**(254)**	**807**	**7,922**	**11,116**	**(551)**	**11,667**	**1,329**
Income taxes	(695)	53	(747)	(876)	(1,303)	116	(1,418)	(1,080)
Profit/(loss) for the period	**(141)**	**(201)**	**60**	**7,047**	**9,814**	**(436)**	**10,249**	**249**

Consolidated Statement of Cash Flows	**IFRS 16**	**Impact IFRS 16**	**IAS 17**	**IAS 17**	**IFRS 16**	**Impact IFRS 16**	**IAS 17**	**IAS 17**
USD thousands	Q2 19	Q2 19	Q2 19	Q2 18	YTD 19	YTD 19	YTD 19	YTD 18
Cash flows from operating activities:								
Profit/(loss) before tax	554	(254)	807	7,922	11,116	(551)	11,667	1,329
Adjustment for provisions and other non-cash elements	70,006	2,323	67,684	47,682	134,021	4,623	129,398	108,868
Changes in working capital	12,190	1	12,188	10,706	(10,601)	(43)	(10,558)	13,717
Cash generated from operations	***82,750***	***2,070***	***80,680***	***66,310***	***134,536***	***4,029***	***130,507***	***123,914***
Interest paid	(22,368)	(646)	(21,722)	(17,610)	(37,689)	(688)	(37,001)	(31,845)
Net income tax (paid) / refunded	(360)	-	(360)	(85)	(894)	-	(894)	(390)
Net cash flow from operating activities	**60,022**	**1,424**	**58,597**	**48,615**	**95,953**	**3,341**	**92,612**	**91,680**
Net cash flow from investing activities	**(61,791)**	**-**	**(61,791)**	**(234,789)**	**(372,321)**	**-**	**(372,321)**	**(240,178)**
Net (payments)/proceeds from borrowings financial institutions	456,741	-	456,741	-	770,475	-	770,475	-
Repayment of borrowings to financial institutions	(465,500)	-	(465,500)	(57,500)	(483,200)	-	(483,200)	(70,000)
Repayment of lease liabilities	(1,424)	(1,424)	-	-	(3,341)	(3,341)	-	-
Net cash flow from financing activities	**(10,183)**	**(1,424)**	**(8,759)**	**178,433**	**283,934**	**(3,341)**	**287,275**	**165,933**

Note 3 | 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 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.

- **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.

- **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.

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations (*)		Consolidated	
USD thousands	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18
External segment revenue	132,177	119,347	32,412	31,020	19,951	19,564	1,886	4,929	186,426	174,861
Inter segment revenue	-	-	4,232	2,593	6,752	6,993	(10,984)	(9,586)	-	-
Total revenue	**132,177**	**119,347**	**36,644**	**33,613**	**26,703**	**26,557**	**(9,098)**	**(4,656)**	**186,426**	**174,861**
EBITDA - segments (NGAAP)	**63,036**	**54,570**	**3,901**	**582**	**6,712**	**6,773**	**(3,766)**	**3,605**	**69,883**	**65,530**
Depreciation and impairment	(36,800)	(33,012)	(20)	(17)	(5,220)	(6,204)	(902)	(920)	(42,941)	(40,153)
EBIT - segments (NGAAP)	**26,236**	**21,558**	**3,882**	**565**	**1,492**	**568**	**(4,669)**	**2,685**	**26,941**	**25,377**
Reconciliation:	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18
Accounting differences affecting EBITDA	140	96	29	25	351	6	1,675	83	2,195	210
EBITDA - IFRS	**63,176**	**54,666**	**3,931**	**606**	**7,063**	**6,779**	**(2,091)**	**3,688**	**72,078**	**65,740**
Accounting differences affecting Depreciation and impairment	(77)	-	-	-	(296)	-	(1,299)	-	(1,672)	-
EBIT - Consolidated	**26,299**	**21,654**	**3,911**	**590**	**1,548**	**575**	**(4,292)**	**2,769**	**27,465**	**25,587**
Net financial items									(26,911)	(17,665)
Profit / (loss) before tax - Consolidated Group									**554**	**7,922**

(*) EBIT and EBITDA in column Corporate / Eliminations represent the Group's corporate overhead cost.

The accounting differences in 2019 are related to IFRS 16 *Leases* and IAS 19 *Employee Benefits,* while accounting differences in 2018 relate to *IAS 19 Employee Benefits* only.

Note 3 | Segment summary - cont.

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18
External segment revenue	284,107	238,533	62,762	63,229	38,896	38,882	2,044	9,022	387,808	349,666
Inter segment revenue	-	-	8,359	4,420	12,520	15,656	(20,879)	(20,076)	-	-
Total revenue	**284,107**	**238,533**	**71,121**	**67,649**	**51,415**	**54,538**	**(18,835)**	**(11,054)**	**387,808**	**349,666**
EBITDA	**130,288**	**107,307**	**5,976**	**1,367**	**11,325**	**13,085**	**(7,055)**	**(67)**	**140,534**	**121,691**
Depreciation and impairment	(70,634)	(66,236)	(39)	(33)	(11,095)	(12,438)	(1,753)	(1,861)	(83,521)	(80,568)
EBIT	**59,653**	**41,071**	**5,937**	**1,334**	**231**	**647**	**(8,808)**	**(1,928)**	**57,013**	**41,124**
Reconciliation:	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18
Accounting differences affecting EBITDA	281	194	59	50	695	13	3,290	182	4,325	438
EBITDA - IFRS	**130,568**	**107,500**	**6,035**	**1,417**	**12,021**	**13,098**	**(3,764)**	**115**	**144,860**	**122,130**
Accounting differences affecting Depreciation and impairment	(155)	-	-	-	(588)	-	(2,576)	-	(3,320)	-
EBIT - Consolidated	**59,779**	**41,265**	**5,996**	**1,384**	**338**	**660**	**(8,094)**	**(1,746)**	**58,019**	**41,562**
Net financial items									(46,903)	(40,233)
Profit / (loss) before tax - Consolidated Group									**11,116**	**1,329**

(*) EBIT and EBITDA in column Corporate / Eliminations represent the Group's corporate overhead cost.

The accounting differences in 2019 are related to IFRS 16 *Leases* and IAS 19 *Employee Benefits,* while accounting differences in 2018 relate to *IAS 19 Employee Benefits* only.

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services	Corporate / Eliminations (*)	Consolidated
USD thousands	FY 18	FY 18	FY 18	FY 18	FY 18
External segment revenue	476,450	130,457	77,449	14,121	698,476
Inter segment revenue	-	14,082	29,327	(43,410)	-
Total revenue	**476,450**	**144,539**	**106,776**	**(29,289)**	**698,476**
EBITDA - segments (NGAAP)	**226,188**	**13,544**	**25,995**	**(7,383)**	**258,344**
Depreciation and impairment	(132,675)	(71)	(24,151)	(3,734)	(160,630)
EBIT - segments (NGAAP)	**93,513**	**13,473**	**1,845**	**(11,116)**	**97,714**
Reconciliation:	FY 18	FY 18	FY 18	FY 18	FY 18
IFRS adjustments affecting EBITDA	394	98	23	287	802
EBITDA - Consolidated Group	**226,581**	**13,642**	**26,019**	**(7,095)**	**259,147**
IFRS adjustments affecting Depreciation and impairment	-	-	-	-	-
EBIT - Consolidated Group	**93,906** -	**13,571** -	**1,868** -	**(10,829)** -	**98,517**
Net financial items					(67,377)
Profit / (loss) before tax - Consolidated Group					**31,139**

(*) EBIT and EBITDA in column Corporate / Eliminations represent the Group's corporate overhead cost.

The accounting differences in 2018 are related to *IAS 19 Employee Benefits.*

Note 4 | Revenue

USD thousands	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Revenue from contracts with customers	179,086	168,267	374,811	336,146	672,246
Other operating revenue	7,340	6,594	12,997	13,520	26,230
Operating revenue	**186,426**	**174,861**	**387,808**	**349,666**	**698,476**

Disaggregation of revenue

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Elimination		Consolidated	
USD thousands	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18
Primary geographical markets										
Norway	83,147	77,013	22,759	19,786	10,933	14,062	(8,067)	(3,736)	108,773	107,126
UK	48,852	40,226	13,885	13,827	2,468	2,156	(1,316)	(891)	63,889	55,318
Europe - other countries	-	-	-	-	6,351	4,724	-	(408)	6,351	4,317
Asia	178	2,108	-	-	6,548	5,438	284	378	7,010	7,925
Africa	-	-	-	-	267	-	-	-	267	-
Other geographical markets	-	-	-	-	137	176	-	-	137	176
Total operating revenue	**132,177**	**119,347**	**36,644**	**33,613**	**26,703**	**26,557**	**(9,098)**	**(4,656)**	**186,426**	**174,861**

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Elimination		Consolidated	
USD thousands	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18	YTD 19	YTD 18
Primary geographical markets										
Norway	128,151	155,028	44,809	40,243	20,445	30,047	(16,980)	(9,077)	176,425	216,241
UK	87,640	78,846	26,312	27,405	4,710	3,874	(2,145)	(2,027)	116,516	108,098
Europe - other countries	-	-	-	-	11,625	9,795	-	(408)	11,625	9,387
Asia	487	4,660	-	-	13,903	10,646	291	457	14,680	15,763
Africa	67,829	-	-	-	544	-	-	-	68,372	-
Other countries	-	-	-	-	189	176	-	-	188	176
Total operating revenue	**284,107**	**238,533**	**71,121**	**67,649**	**51,415**	**54,538**	**(18,835)**	**(11,054)**	**387,808**	**349,666**

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services	Corporate / Elimination	Consolidated
USD thousands	FY 18	FY 18	FY 18	FY 18	FY 18
Primary geographical markets					
Norway	284,291	91,111	54,518	(26,062)	403,859
UK	158,303	53,428	8,973	(3,454)	217,250
Europe - other countries	-	-	19,298	(356)	18,942
Asia	7,937	-	23,653	580	32,170
Africa	25,920	-	128	2	26,050
Other geographical markets	-	-	205	-	205
Total operating revenue	**476,450**	**144,539**	**106,776**	**(29,289)**	**698,476**

Note 5 | 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 June 2024 - see repayment schedule and additional information in note 12. The Deepsea Bergen facility, currently outstanding USD 46 million, matures 30 September 2020, subject to termination options for the lenders if the borrower is unable to document the necessary backlog for Deepsea Bergen.

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 2018. 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 12 million annually including interest rate swaps, an increase of USD 2 million compared to year-end 2018.

Liquidity risk
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 12.

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.

Note 5 | 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	30.06.2019	30.06.2018	31.12.2018
Financial assets at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	-	907	599
- Interest rate swaps - Other current assets	2	-	26	-
- Foreign exchange forward contracts - Other current assets	2	554	-	-
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	2	-	-	-
Debt instruments at amortised cost				
- Other non-current receivables	3	121	222	170
- Trade and other current receivables	3	148,718	146,960	106,717
Total financial assets		**149,394**	**148,115**	**107,486**

USD thousands	Level	30.06.2019	30.06.2018	31.12.2018
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	27	-	-
- Foreign exchange forward contracts - Other current liabilities	2	228	-	-
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	349	-	-
- Foreign exchange forward contracts - Other current liabilities	2	-	72	-
Financial liabilities at amortised cost				
- Non-current lease liabilities	3	37,415	-	-
- Current lease liabilities	3	8,284	-	-
- Trade and other payables	3	151,287	99,292	119,809
- Non-current interest-bearing borrowings	3	1,241,596	745,148	311,819
- Current interest-bearing borrowings	3	192,950	422,121	782,980
Total financial liabilities		**1,632,136**	**1,266,633**	**1,214,607**

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:

	30.06.2019	30.06.2018	31.12.2018
Non-current	1,241,596	745,148	311,819
Current	192,950	422,121	782,980
Total	**1,434,546**	**1,167,269**	**1,094,798**

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

Note 6 | Intangible assets

USD thousands	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2019	18,638	11,173	29,811
Additions	-	839	839
Amortisation	-	(1,558)	(1,558)
Currency translation differences	390	212	603
Closing net book amount as at 30 June 2019	**19,028**	**10,666**	**29,694**
Opening net book amount as at 1 January 2018	19,736	13,119	32,855
Additions	-	1,146	1,146
Amortisation	-	(1,543)	(1,543)
Currency translation differences	145	125	270
Closing net book amount as at 30 June 2018	**19,881**	**12,847**	**32,728**

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 2019 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 30 June 2019.

The key assumptions used for value-in-use calculations as per Q2 2019 are as follows:

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services
EBITDA margin in prognosis period	15%	5% - 6%	27% - 35%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	7.8 %	7.9%	8.5%

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 five percentage points indicated an impairment write-down of USD 8 million in the Drilling & Technology segment, while reducing EBITDA margin by ten percentage points indicated an impairment write-down of USD 11 million in the Drilling & Technology segment and USD 1 million in the Mobile Offshore Drilling Units segment. None of the other scenarios indicated any impairment write-down of goodwill as at 30 June 2019.

Note 7 | Property, plant and equipment

USD thousands	Mobile drilling units	Periodic maintenance	Newbuild in progress	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
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	27,940	27,767	367,583	8,572	1,593	1,828	435,283
Disposals	-	-	-	(133)	(12)	-	(146)
Depreciation	(48,488)	(22,133)	-	(10,908)	(435)	(3,320)	(85,283)
Reclassification	579,371	35,000	(614,371)	-	-	-	-
Currency translation differences	-	-	-	13	21	866	900
Net book amount as at 30 June 2019	**2,098,775**	**108,906**	**0**	**68,781**	**3,050**	**45,335**	**2,324,847**
Opening net book amount as at 1 January 2018	1,610,118	88,869	-	82,392	1,015	-	1,782,393
Additions	4,409	1,217	226,948	7,215	635	-	240,424
Disposals	-	-	-	(480)	(5)	-	(484)
Depreciation	(44,348)	(21,879)	-	(12,178)	(619)		(79,025)
Currency translation differences	-	-	-	(2)	(27)	-	(29)
Net book amount as at 30 June 2018	**1,570,179**	**68,207**	**226,948**	**76,948**	**998**	**-**	**1,943,279**
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 8 *Leases* for more information about Right-of-use assets.

Note 7 | Property, plant and equipment - cont.

Impairment tests on 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 2019, no impairment has been identified for any of the rigs.

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

Key assumptions	**Deepsea Atlantic**	**Deepsea Stavanger**	**Deepsea Aberdeen**	**Deepsea Nordkapp**	**Deepsea Bergen**
	6G Semi	6G Semi	6G Semi	6G Semi	3G semi
Weighted Average Cost of Capital (WACC)	10.0%	10.0%	10.0%	10.0%	9.0%
Firm contract days	380	515	1,025	679	168
Firm contract day rates (weighted average)	294	375	430	316	195
Future normalised base case day rates - at full market recovery	435	435	435	435	225
Financial utilisation in normalised period	95%	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		**Deepsea Atlantic**	**Deepsea Stavanger**	**Deepsea Aberdeen**	**Deepsea Nordkapp**	**Deepsea Bergen**
Estimated impairment write-down if:						
- WACC increased by	1 pp	37,000	42,000	-	17,000	-
- WACC increased by	2 pp	70,000	79,000	-	64,000	-
- Day rate level(*) decreased by	5%	52,000	54,000	-	16,000	-
- Day rate level(*) decreased by	10%	104,000	108,000	-	71,000	-
- Normalised opex level increased by	5%	26,000	25,000	-	-	-
- Normalised opex level increased by	10%	51,000	51,000	-	17,000	-
- Financial utilisation in normalised period decreased by	1 pp	11,000	11,000	-	-	-
- Financial utilisation in normalised period decreased by	2 pp	21,000	22,000	-	-	-
- Financial utilisation in normalised period decreased by	3 pp	32,000	33,000	-	-	-

(*) excluding firm contractual day rates

Note 8 | Leases

The Group leases various properties in addition to some equipment. Rental contracts are typically made for fixed periods of 2 to 12 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and contiditons. The lease agreements do not impose any covenants, but the leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT-equipment and small items of office equipment.

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 2019	45,158	802	45,960
Additions	1,821	7	1,828
Depreciation	(3,113)	(207)	(3,320)
Currency translation differences	862	4	866
Net book amount as at 30 June 2019	**44,728**	**606**	**45,335**

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to note 7.

Lease liabilities

USD thousands	30.06.2019	01.01.2019
Non-current	37,415	37,814
Current	8,284	7,911
Total	**45,699**	**45,725**

Movements in non-current lease liabilities are analysed as follows:	30.06.2019
Carrying amount as at 1 January	37,814
Cash flows:	
Payments for the interest portion of the lease liability	(688)
Non-cash flows:	
New lease liabilities recognised in the year	1,828
Interest expense on lease liabilities	1,303
Reclassified to current portion of lease liabilities	(3,566)
Currency exchange differences	723
Carrying amount as at end of period	**37,415**

Movements in current lease liabilities are analysed as follows:	30.06.2019
Carrying amount as at 1 January	7,911
Cash flows:	
Payments for the principal portion of the lease liability	(3,341)
Non-cash flows:	
Reclassified from non-current portion of lease liabilities	3,566
Currency exchange differences	148
Carrying amount as at end of period	**8,284**

Note 9 | Commitments

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

USD thousands	30.06.2019	30.06.2018	31.12.2018
Newbuild in progress	-	284,697	317,936
Rig investments	6,313	15,209	22,727
Rental and casing equipment, due in 1 year	9,320	1,905	1,927
Total	**15,633**	**301,811**	**342,590**

Newbuild in progress was related to Deepsea Nordkapp, which was completed in May 2019.

Note 10 | Paid dividends and acquisition of own shares

No dividends was paid in the period ending 30 June 2019. At 1 July 2019 the Group paid cash dividends of USD 1.9 million to the holders of the preference shares.

The Group has not acquired any of its own shares in the interim period ending 30 June 2019.

Note 11 | 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 dilluted number of shares in 2018 or 2019, as the terms of execution have not occured 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	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Profit/(loss) for the period	(141)	7,047	9,814	249	27,350
Adjustment for dividends on preference shares	(1,925)	(623)	(3,829)	(623)	(4,418)
Profit/(loss) for the period due to holders of common shares	**(2,066)**	**6,424**	**5,985**	**(374)**	**22,932**
Adjustment related to warrants and share option plan	-	-	-	-	-
Diluted profit/(loss) for the periode due to the holders of common shares	**(2,066)**	**6,424**	**5,985**	**(374)**	**22,932**

	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Weighted average number of common shares in issue	236,783,202	217,736,900	236,783,202	208,236,900	222,599,942
Effects of dilutive potential common shares:					
Warrants	-	-	-	-	-
Share option plan	-	-	-	-	-
Diluted average number of shares outstanding	236,783,202	217,736,900	236,783,202	208,236,900	222,599,942

	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Basic earnings per share	(0.01)	0.03	0.03	(0.00)	0.10
Diluted earnings per share	(0.01)	0.03	0.03	(0.00)	0.10

Note 12 | Interest-bearing borrowings

USD thousands	30.06.2019	30.06.2018	31.12.2018
Non-current	1,241,596	745,148	311,819
Current	192,950	422,121	782,980
Total	**1,434,546**	**1,167,269**	**1,094,798**

Movements in non-current borrowings are analysed as follows:	30.06.2019	31.03.2018	31.12.2018
Carrying amount as at 1 January	311,819	1,076,103	1,076,103
Cash flows:			
New bank loan	790,000	-	-
Paid transaction costs related to amendments and new loan	(19,525)	-	-
Non-cash flows:			
Reclassified from / (to) current portion of non current borrowings	109,166	(333,954)	(767,565)
Seller's credit raised	43,250	-	-
Change in transaction cost, unamortised	6,886	2,999	3,280
Carrying amount as at end of period	**1,241,596**	**745,148**	**311,819**

Movements in current borrowings are analysed as follows:	30.06.2019	31.03.2018	31.12.2018
Carrying amount as at 1 January	782,980	157,472	157,472
Cash flows:			
Repayment bank loan	(483,200)	(70,000)	(145,300)
Non-cash flows:			
Reclassified to current portion of non current borrowings	(109,166)	333,954	767,565
Change in transaction cost, unamortised	2,018	-	2,717
Change in accrued interest cost	318	695	525
Carrying amount as at end of period	**192,950**	**422,121**	**782,980**

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	30.06.2019	30.06.2018	31.12.2018
Maturity within 3 months	7,000	16,000	19,500
Maturity between 3 and 6 months	74,053	62,000	65,500
Maturity between 6 and 9 months	28,053	19,500	407,000
Maturity between 9 months and 1 year	74,053	315,500	283,000
Maturity between 1 and 2 years	194,211	480,000	82,200
Maturity between 2 and 3 years	465,211	65,500	237,000
Maturity between 3 and 4 years	84,211	211,000	-
Maturity between 4 and 5 years	517,985	-	-
Maturity beyond 5 years	-	-	-
Total contractual amounts	**1,444,774**	**1,169,500**	**1,094,200**

Refer to *Note 5 Financial risk management* for further information regarding liquidity risk.

Note 12 | Interest-bearing borrowings - cont

Debt financing of Deepsea Nordkapp

The Odfjell Rig V Ltd. facility of USD 325 million was fully drawn on 3 January 2019 in relation to the delivery of Deepsea Nordkapp that took place on 7 January 2019. At the same day, the seller's credit of USD 43.25 million from Samsung Heavy Industries was made effective.

Refinancing

The Group has on 28 June 2019 entered into agreements for a refinancing related to its 2019 debt maturities, as further described below.

Deepsea Atlantic and Deepsea Stavanger USD 425 million senior bank facility and USD 100 million junior bank facility (Odfjell Invest facility)

The previous facility covering Deepsea Atlantic and Deepsea Stavanger, with USD 400 million outstanding at refinancing date, was replaced by a new senior facility of USD 425 million. In addition, a junior facility of USD 100 million was entered into.

The senior facility will be repaid by quarterly instalments of USD 12.5 million, first time December 2019. The junior facility has no fixed instalments, but shall on certain conditions be partly repaid annually from Q3 2021 by free and available liquidity of the Odfjell Drilling Group above USD 175 million, however so that any such repayment shall be limited to 50% of the previous year's net result and adjusted for any identified liquidity requirements. Dividends and other distributions on the common shares of Odfjell Drilling are subject to lender's prior written consent for as long as the junior facility is outstanding.

Interest is payable at LIBOR plus an overall margin depending on the level of net debt to EBITDA for the Odfjell Drilling group, resulting in an estimated combined average margin of around 400 bps over LIBOR during the tenor of the facilities.

The financial covenants applicable for the facilities will be materially the same as those already in place for the Odfjell Drilling group in other loan agreements.

The senior facility of USD 425 million was drawn on signing 28 June 2019. USD 40 million of the junior facility was drawn on signing, while the remaining USD 60 million is available in two additional drawings until 31 March 2020. The tenor of both facilities is 5 years.

This refinancing was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IFRS 9.

Drilling Services USD 250 million bank facility

The Drilling Services facility, with USD 250 million outstanding at refinancing date, was amended and extended to November 2021. The facility was divided in two tranches; Tranche A of USD 150 million which is non-amortising, and Tranche B of USD 100 million with semi-annual instalments of USD 20 million, first time in November. Interest is payable at LIBOR plus an average margin of 470 bps.

The financial covenants applicable for the facility will be the same as those already in place at Odfjell Drilling Ltd group level in other loan agreements. The debt service coverage ratio measured on Odfjell Drilling Services group level will be replaced by an interest coverage ratio that will gradually increase from 1.5x to 2.0x measured based on consolidated EBITDA to net finance charges for the Odfjell Drilling Services group.

This refinancing was accounted for as a modification of the original financial liability and the carrying amount was recalculated in accordance with IFRS 9, resulting in a modification loss being recognised as finance cost in Q2 2019.

The group has USD 60 million in undrawn facilities as at 30 June 2019, as decribed above. The group has no other available undrawn facilities as per 30 June 2019.

Covenants

The Group is compliant with all financial covenants as at 30 June 2019.

Note 13 | Contingencies

In 2018 the company issued warrants for 5,925,000 common shares. Refer to annual report for the year ended 31 December 2018, note 21, for further description. There have been no changes to the warrant agreements in 2019.

There are no other material contingencies to be disclosed as per 30 June 2019.

Note 14 | Equity & shareholder information

	No.of shares	Nominal value	Share capital USD thousands
Listed shares			
Common shares issued as at 30 June 2019	236,783,202	USD 0.01	2,368
Preference shares			
Total issued preference shares as at 30 June 2019	16,123,125	USD 0.01	161

As at 30 June 2019 preferred payment in kind dividend of USD 1.9 million was capitalised, increasing the accrued preference capital balance to USD 79.1 million.
There are no other changes in issued shares, preference shares or warrants in 2019.

Largest common shareholders at 30 June 2019	Holding	% of shares
Odfjell Partners Ltd.	142,000,000	59.97%
Deutsche Bank AG	7,680,000	3.24%
J.P.Morgan Chase Bank N.A. London	4,930,046	2.08%
Goldman Sachs & Co. LLC	3,580,313	1.51%
J.P.Morgan Securities PLC	3,469,131	1.47%
J.P.Morgan Bank Luxembourg S.A.	3,106,050	1.31%
J.P.Morgan Chase Bank N.A. London	2,379,551	1.00%
The Bank of New York Mellon SA/NV	2,332,844	0.99%
J.P.Morgan Chase Bank N.A. London	2,178,691	0.92%
State Street Bank and Trust Co.	2,175,851	0.92%
Schroder International Selection	2,165,920	0.91%
Fidelity Select Portfolios: Energy	2,007,082	0.85%
Citybank, N.A.	1,819,918	0.77%
J.P.Morgan Securities LLC	1,700,645	0.72%
Verdipapirfondet DNB Norge Selektiv	1,534,249	0.65%
State Street Bank and Trust Co.	1,462,814	0.62%
Goldman Sachs International	1,457,257	0.62%
The Bank of New York Mellon SA/NV	1,411,879	0.60%
Fondsfinans Norge	1,400,000	0.59%
Citybank, N.A.	1,393,000	0.59%
Total 20 largest common shareholders	**190,185,241**	**80.32%**
Other common shareholders	46,597,961	19.68%
Total common shareholders	**236,783,202**	**100.00%**

Note 15 | Net financial items

USD thousands	Note	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
Interest income		563	467	1,496	906	2,060
Interest expense lease liabilities	8	(651)	-	(1,303)	-	-
Other interest expenses		(21,637)	(17,244)	(43,386)	(33,458)	(68,368)
Other borrowing expenses (*)		(6,863)	(1,499)	(8,904)	(2,999)	(5,997)
Capitalised borrowing costs		2,621	-	7,914	-	-
Change in fair value of derivatives		(35)	79	(300)	514	180
Dividend / gain other financial investments		969	-	969	-	9,739
Net currency gain/(loss)		(1,792)	1,484	(2,769)	(3,643)	(3,017)
Other financial items		(87)	(951)	(619)	(1,553)	(1,973)
Net financial items		**(26,911)**	**(17,665)**	**(46,903)**	**(40,233)**	**(67,377)**

(*) Including recognised modification loss related to the extension and amendment to the Drilling Services USD 250 million bank facility, as a result of recalculating amortised cost according to IFRS 9.

Note 16 | Related-party transactions

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 59.97% 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 30 June 2019.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 952,381 (0.40%) of the common shares in the company as per 30 June 2019.

There are no changes in the long term share option programme with Simen Lieungh (CEO, Odfjell Drilling AS) in 2019.

The Group have lease agreements with the related party Kokstad Holding AS Group (related to main shareholder). Following the implementation of IFRS 16 *Leases,* refer to note 2 and 8, reported lease liability to Kokstad Holding AS Group as at 30 June 2019 is USD 37 million, while payments in Q2 2019 and YTD 2019 amounts to USD 1.41 million and USD 2.75 million respectively.

There are no material changes in related party transactions in 2019.

Note 17 - Important events occurring after the reporting period

Odfjell Drilling signs drilling contract for work in South Africa with Deepsea Stavanger

On 11 July, Odfjell Drilling signed a firm drilling contract with oil major Total for drilling offshore South Africa with the 6th generation semi-submersible, Deepsea Stavanger.

The contract value including compensation for mobilization and demobilization periods is estimated as being USD 145 - 190 million plus incentives. The company expects the drilling program to take 180-280 days. Mobilization to South Africa is expected to start in Q1 2020.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 30 June 2019.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of consolidated financial statements for the period 1 January to 30 June 2019 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.

Aberdeen, 28 August 2019
Board of Directors of Odfjell Drilling Ltd.

Helene Odfjell Chairman (Sign.)	Susanne Munch Thore Director (Sign.)
Alasdair Shiach Director (Sign.)	Thomas Marsoner Director (Sign.)