ODFJELL DRILLING

Odfjell Drilling Ltd.

Report for the 2nd quarter and 1st half of 2020

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

Key figures for the Group

All figures in USD million

Key figures Odfjell Drilling Ltd. Group	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Operating revenue…………………………………………	167	186	364	388	823
EBITDA………………………………………………………	81	72	163	145	332
EBIT…………………………………………………………	18	27	51	58	147
Net profit (loss)………………………………………………	(6)	(0)	16	10	41
EBITDA margin………………………………………………	49%	39%	45%	37%	40%
Total assets……………………………………………………			2,586	2,697	2,686
Net interest bearing debt…………………………………			1,161	1,256	1,221
Equity………………………………………………………			1,048	1,035	1,062
Equity ratio……………………………………………………			41%	38%	40%

Highlights Q2 2020

Odfjell Drilling Ltd. Group

- Operating revenue of USD 167 million compared to USD 186 million in Q2 2019.
- EBITDA of USD 81 million compared to USD 72 million in Q2 2019.
- EBITDA margin of 49% compared to an EBITDA margin of 39% in Q2 2019.
- The Group's contract backlog is USD 2.2 billion, whereof USD 1.2 billion is firm backlog. The comparable figure at the end of Q2 2019 was USD 2.3 billion, whereof USD 1.3 billion was firm backlog.

Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 118 million compared to USD 132 million in Q2 2019.
- EBITDA of USD 68 million compared to USD 63 million in Q2 2019.
- EBITDA margin of 58% compared to an EBITDA margin of 48% in Q2 2019.

Drilling & Technology segment (D&T)

- Operating revenue of USD 32 million compared to USD 37 million in Q2 2019.
- EBITDA of USD 5 million compared to USD 4 million in Q2 2019.
- EBITDA margin of 14% compared to an EBITDA margin of 11% in Q2 2019.

Well Services segment (OWS)

- Operating revenue of USD 24 million compared to USD 27 million in Q2 2019.
- EBITDA of USD 7 million same as in Q2 2019.
- EBITDA margin of 29% compared to an EBITDA margin of 26% in Q1 2019.

Platform drilling commenced Ekofisk operations

On 1 July 2020, Odfjell Drilling commenced the Platform Drilling and Maintenance and Minor Modifications contract for ConocoPhillips at the Greater Ekofisk Area.

The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance of ConocoPhillips' drilling facilities on three offshore platforms in the Greater Ekofisk Area.

The contract period is for five years, with an option to extend two times, each time by up to three years. The contract work is expected to commence at the beginning of Q3 2020.

More work for Deepsea Atlantic

Equinor awarded, on 7 July 2020, a letter of intent to Odfjell Drilling for the drilling and completion of Sverdrup Phase 2 with Deepsea Atlantic. The letter of intent is subject to finalization of contract.

The contract is set to commence in Q1 2022 with a duration of 12 firm wells plus 5 optional wells. The approximate contract value for the firm scope is up to USD 150 million (excluding any integrated services, modifications/upgrades and mobilisation/demobilisation fees). In addition, a notable performance incentive rate will apply when wells are delivered ahead of target. The rate for the optional wells is at a premium to the firm wells.

Furthermore, Equinor awarded, on 18 August 2020, 3 additional wells for Deepsea Atlantic. The wells have been exercised under the Continued Optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The work shall commence after the completion of the current scope estimated to be in Q4 2020. The commercial terms are materially the same as for the abovementioned Johan Sverdrup Phase 2 letter of intent.

Odfjell Drilling joins forces with Oceanwind AS

Odfjell Drilling has this August reached an agreement with Oceanwind AS to become their strategic partner and investor. Odfjell Drilling has the intention to achieve a controlling position subject to successful completion of the contemplated equity tranches.

Oceanwind has an ambition to become a major player in the harsh environment offshore wind market. The company's founders have more than 20 years offshore wind experience, and they will be key contributors going forward, combined with Odfjell Drilling's competence from operating offshore floaters. This is also an important step in Odfjell Drilling's "zero emission drilling"-concept. Offshore wind may be utilized as the main energy source to an offshore drilling operation, enabling Odfjell Drilling to deliver energy efficient drilling services, and thereby contributing to the clients' and Odfjell Drilling's emissions targets.

COVID-19

The COVID-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

Odfjell Drilling has, to a limited extent, been impacted by the COVID-19 outbreak as we acted quickly to implement required routines to limit the contagion of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

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

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q2 2020

Operating revenue for Q2 2020 was USD 167 million (USD 186 million), a decrease of USD 19 million, mainly due to decreased revenue in the MODU segment from Q2 2019 to Q2 2020, but revenue in OWS and D&T segments have also decreased.

EBITDA in Q2 2020 was USD 81 million (USD 72 million), an increase of USD 9 million, mainly due to increased EBITDA in the MODU segment

The EBITDA margin in Q2 2020 was 49% (39%).

EBIT in Q2 2020 was USD 18 million (USD 27 million), a decrease of USD 9 million.

Net financial expenses in Q2 2020 amounted to USD 24 million (USD 27 million). The decrease in net expenses of USD 3 million from Q2 2019 to Q2 2020 was mainly explained by reduced interest expenses and borrowing costs offset by change in fair value of derivatives and change in net currency gains and losses.

In Q2 2020, the tax expense was USD 1 million (USD 1 million).

Net loss in Q2 2020 was USD 6 million (USD 0.1 million).

Profit & loss YTD 2020

Operating revenue for YTD 2020 was USD 364 million (USD 388 million), a decrease of USD 24 million, mainly due to decreased revenue in the MODU segment from YTD 2019 to YTD 2020.

EBITDA in YTD 2020 was USD 163 million (USD 145 million), an increase of USD 18 million, mainly due to increased EBITDA in the MODU segment and the Well Services segment.

The EBITDA margin in YTD 2020 was 45% (37%).

EBIT in YTD 2020 was USD 51 million (USD 58 million), a decrease of USD 7 million.

Net financial expenses in YTD 2020 amounted to USD 32 million (USD 47 million). The decrease in net expenses of USD 15 million from YTD 2019 to YTD 2020 was mainly explained by reduced interest expenses and borrowing costs, as well as a change in fair value of derivatives and change in net currency gains and losses.

In YTD 2020, the tax expense was USD 3 million (USD 1 million).

Net profit in YTD 2020 was USD 16 million (USD 10 million).

Balance sheet

Total assets as at 30 June 2020 amounted to USD 2,586 million (USD 2,686 million as at 31 December 2019), a decrease of USD 100 million.

Equity as at 30 June 2020 amounted to USD 1,048 million (USD 1,062 million as at 31 December 2019) a decrease of USD 14 million. The equity ratio was 41% as at 30 June 2020 (40% as at 31 December 2019).

Net interest bearing debt as at 30 June 2020 amounted to USD 1,161 million (USD 1,221 million as at 31 December 2019), a decrease of USD 60 million.

Cash flow Q2 2020

Net cash flow from operating activities in Q2 2020 was positive with USD 89 million. The Group paid USD 19 million in interest.

Net cash outflow from investing activities in Q2 2020 was USD 37 million.

Net cash outflow from financing activities in Q2 2020 was USD 77 million. The Group paid USD 75 million in instalments on credit facilities and leases in Q2 2020, and dividends of USD 2 million was paid to the preference shareholder.

Cash flow YTD 2020

Net cash flow from operating activities in YTD 2020 was positive with USD 133 million. The Group paid USD 37 million in interest related to operating activities.

Net cash outflow from investing activities in YTD 2020 was USD 60 million.

Net cash outflow from financing activities in YTD 2020 was USD 82 million. The Group paid USD 105 million in instalments on credit facilities and leases in YTD 2020, while USD 25 million was drawn on the Odfjell Invest junior facility.

At 30 June 2020 cash and cash equivalents amounted to USD 153 million. There has been a total negative net change in cash and cash equivalents of USD 16 million since 31 December 2019.

Segments

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

Mobile Offshore Drilling Units

All figures in USD million

Key figures MODU segment	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Operating revenue………………………………………	118	132	261	284	599
EBITDA………………………………………………………	68	63	138	131	291
EBIT…………………………………………………………	14	26	44	60	138
EBITDA margin………………………………………	58%	48%	53%	46%	49%

Operating revenue for the MODU segment in Q2 2020 was USD 118 million (USD 132 million), a decrease of USD 14 million. The main variation is Deepsea Stavanger with a decrease of USD 18 million, as the rig has undergone SPS at yard and mobilising for the TEPSA project during Q2 2020, and Deepsea Bergen with a decrease of USD 13 million, as the rig was idle in the period. The negative variation is partly offset by Deepsea Nordkapp with an increase of USD 12 million as the rig had a full quarter earnings in 2020, while it commenced its operations in May 2019. In addition, Deepsea Atlantic had an increase of USD 6 million due to high performance and bonus.

EBITDA for the MODU segment in Q2 2020 was USD 68 million (USD 63 million), an increase of USD 5 million. The change in EBITDA is due to a higher EBITDA for Deepsea Atlantic of USD 7 million and Deepsea Nordkapp of USD 6 million as explained above. This is partly offset by lower EBITDA for Deepsea Stavanger of USD 4 million and Deepsea Bergen of USD 3 million due to non-operational quarter.

EBIT for the MODU segment in Q2 2020 was USD 14 million (USD 26 million), a decrease of USD 12 million.

Operating revenue for the MODU segment in YTD 2020 was USD 261 million (USD 284 million), a decrease of USD 23 million. The main variation is Deepsea Stavanger with a decrease of USD 58 million as 2019 revenue included recognised revenue for the Total drilling program in South Africa. In 2020, the rig has undergone SPS at yard and mobilising for the TEPSA project during Q2 2020 for its next drilling campaign in South Africa. Increased revenue of USD 41 million from Deepsea Nordkapp partly offsets the decrease.

EBITDA for the MODU segment in YTD 2020 was USD 138 million (USD 130 million), an increase of USD 8 million. The change in EBITDA is due to a higher EBITDA for Deepsea Nordkapp of USD 21 million and Deepsea Atlantic of USD 13 million. This is offset by lower EBITDA for Deepsea Stavanger of USD 18 million as explained above and Deepsea Aberdeen of USD 7 million due to SPS activities carried out in Q1 2020.

EBIT for the MODU segment in YTD 2020 was USD 44 million (USD 60 million), a decrease of USD 16 million.

MODU - Financial utilisation

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

Financial Utilisation - MODU	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Deepsea Stavanger…………………………………………	99.6 %	97.8 %	98.8 %	98.5 %	98.7 %
Deepsea Atlantic……………………………………………	98.6 %	98.2 %	98.8 %	97.6 %	97.8 %
Deepsea Bergen………………………………………………	0.0 %	99.5 %	92.7 %	99.1 %	97.3 %
Deepsea Aberdeen…………………………………………	97.1 %	98.3 %	86.0 %	98.1 %	97.2 %
Deepsea Nordkapp …………………………………………	99.6 %	99.0 %	98.8 %	99.0 %	98.0 %

- Deepsea Stavanger operated for AkerBP until 21 April 2020 and thereafter commenced SPS activities and preparation for the Total contract at Hanøytangen, Norway. The rig started its mobilization to South Africa on 2 July 2020.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q2 2020.
- Deepsea Bergen finalized its last contract on 23 March 2020 and has thereafter been idle at CCB, Norway.
- Deepsea Aberdeen has been on contract for BP on the UKCS in Q2 2020.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q2 2020.

Drilling & Technology

All figures in USD million

Key figures Drilling & Technology segment	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Operating revenue……………………………………………	32	37	68	71	147
EBITDA………………………………………………………………	5	4	7	6	17
EBIT…………………………………………………………………	4	4	7	6	17
EBITDA margin…………………………………………………	14%	11%	11%	8%	12%

Operating revenue for the D&T segment in Q2 2020 was USD 32 million (USD 37 million), a decrease of USD 5 million compared to Q2 2019.

EBITDA for the D&T segment in Q2 2020 was USD 5 million (USD 4 million), an increase of USD 1 million compared to same period in 2019. The EBITDA margin for the D&T segment in Q2 2020 was 14% (11%).

EBIT for the D&T segment Q2 2020 was USD 4 million (USD 4 million), no change compared to same period in 2019.

Operating revenue for the D&T segment in YTD 2020 was USD 68 million (USD 71 million), a decrease of USD 3 million compared to YTD 2019.

EBITDA for the D&T segment in YTD 2020 was USD 7 million (USD 6 million), an increase of USD 1 million compared to same period in 2019. The EBITDA margin for the D&T segment in YTD 2020 was 11% (8%).

EBIT for the D&T segment YTD 2020 was USD 7 million (USD 6 million), an increase of USD 1 million compared to same period in 2019.

Well Services

All figures in USD million

Key figures Well Services segment	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Operating revenue…………………………………………	24	27	52	51	111
EBITDA…………………………………………………………	7	7	16	12	32
EBIT………………………………………………………………	1	2	4	0	9
EBITDA margin……………………………………………	29%	26%	30%	23%	29%

Operating revenue for the OWS segment in Q2 2020 was USD 24 million (USD 27 million), a decrease of USD 3 million. Norway has seen an increase in activity offset by a reduction in both the European and the Middle East, Asia and African markets.

EBITDA for the OWS segment in Q2 2020 was USD 7 million, same as comparable period. Improved results in Norway offset by a reduction in other regions. EBITDA margin for the OWS segment in Q2 2020 was 29% (26%). Increased margin is mainly due to increased activity in Norway and cost saving measures in response to the global market development.

EBIT for the OWS segment in Q2 2020 was USD 1 million (USD 2 million).

Operating revenue for the OWS segment in YTD 2020 was USD 52 million (USD 51 million), an increase of USD 1 million.
EBITDA for the OWS segment in YTD 2020 was USD 16 million (USD 12 million), an increase of USD 4 million. EBITDA margin for the OWS segment in YTD 2020 was 30% (23%). The Norwegian market's recovery and overall cost improvements are the main reasons for the increased profitability.

EBIT for the OWS segment in YTD 2020 was USD 4 million (USD 0 million).

Environmental, social and governance (ESG)

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

Outlook

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

The recent negative developments, with the COVID-19 outbreak and the drop in the oil price, have however increased the uncertainty within the drilling and oil service market. We note that the oil companies have adjusted their activities for the short to medium term.

We consequently expect the overall utilization of the total available drilling fleet to remain at low levels, in particular for ultra deep and benign water operations. We believe that the utilization of the modern harsh environment drilling fleet will remain at high levels going forward. We further expect that the overall offshore drilling rig market weakness will trigger more scrapping and further eliminate any new supply in the short to medium term.

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

Deepsea Stavanger commenced drilling operations for Total offshore South Africa on 23 August 2020. The unit will be drilling up to three wells for Total with a duration of up to 300 days.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement (MFA). The unit was recently awarded a letter of intent on the Johan Sverdrup phase 2 expected to commence in Q1 2022. We further expect the rig to be utilized under the MFA until the Johan Sverdrup phase 2 start-up.

Deepsea Aberdeen is contracted until April 2022 with BP.

Deepsea Bergen finalized its operation with MOL on 23 March 2020 and the Board of Directors have decided to recycle the unit.

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

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

Lastly, the Drilling & Technology division has experienced a short term increase in demand for its services over the period related to Special Period Surveys. In general, the market for Platform Drilling activities has traditionally been stable during the last decade and we expect this to continue. However, we expect the Technology division to face reduced activity as maintenance and upgrade projects are expected to be put on hold due to the current economic climate from Q3 2020 onwards.

Risks and uncertainties

In addition to risks highlighted above regarding Covid 19, in the Group's view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in clients' spending budgets and developments in the financial and fiscal markets and within the Group. Furthermore, as the Group's fully owned fleet consists of five units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet.

The substantial reduction in market capitalisation for the oil and gas service providers has led financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is challenging and additional funding sources may not be available to the Group in the future for refinancing existing facilities as they mature.

The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding should these market conditions continue over time. The market outlook and contract situation for the Group's mobile offshore drilling units may also affect covenant risk since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. The Group has, in recent years, implemented cost reduction and efficiency improvement programs, and continued its focus on capital discipline in order to improve its competitiveness in this challenging market.

Quality, health, safety & environment (QHSE)

Key figures QHSE	YTD 20	FY 19
Lost time incident frequency (as per 1 million working hours)	2.1	1.4
Total recordable incident frequency (as per 1 million working hours)	4.7	3.2
Sick leave (percentage)	2.7	2.8
Dropped objects frequency (as per 1 million working hours)	3.8	2.5
Number of employees	2,560	2,579

Aberdeen, United Kingdom
26 August 2020

Board of Directors of Odfjell Drilling Ltd.

Helene Odfjell, Chairman — Susanne Munch Thore, Director

Alasdair Shiach, Director — Thomas Marsoner, Director

Appendix 1: Definitions of alternative performance measures

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

EBIT margin
EBIT/Operating revenue

EBITDA margin
EBITDA/Operating revenue

Equity ratio
Total equity/total equity and liabilities

Financial utilisation
Financial utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial utilisation is only measured for periods on charter.

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

Net (loss) profit
Equal to Profit (loss) for the period after taxes

Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements

2nd quarter and 1st half year of 2020

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Operating revenue	2,3	**166,518**	**186,426**	**363,948**	**387,808**	**823,195**
Other gains and losses		401	232	846	279	1,312
Personnel expenses		(60,291)	(78,361)	(138,769)	(152,419)	(328,353)
Other operating expenses		(25,804)	(36,219)	(63,261)	(90,808)	(164,395)
EBITDA		**80,823**	**72,078**	**162,764**	**144,860**	**331,759**
Depreciation, amortisation and impairment	5,6,7	(62,328)	(44,613)	(111,347)	(86,841)	(185,192)
Operating profit (EBIT)		**18,496**	**27,465**	**51,417**	**58,019**	**146,567**
Net financial items	14	(23,899)	(26,911)	(32,401)	(46,903)	(102,762)
Profit/(loss) before tax		**(5,403)**	**554**	**19,016**	**11,116**	**43,805**
Income taxes		(899)	(695)	(2,538)	(1,303)	(2,984)
Profit/(loss) for the period		**(6,303)**	**(141)**	**16,478**	**9,814**	**40,820**
Earnings per share (USD)						
Basic earnings per share	10	(0.04)	(0.01)	0.05	0.03	0.17
Diluted earnings per share	10	(0.04)	(0.01)	0.05	0.03	0.17

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Profit/(loss) for the period		**(6,303)**	**(141)**	**16,478**	**9,814**	**40,820**
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Actuarial gain / (loss) on post employment benefit obligations		(190)	-	(2,711)	-	(304)
Items that are or may be reclassified to profit or loss:						
Cash flow hedges		(2,056)	136	(13,905)	(349)	1,124
Currency translation differences		10,224	1,638	(12,420)	3,155	446
Other comprehensive income for the period, net of tax		**7,979**	**1,774**	**(29,036)**	**2,806**	**1,265**
Total comprehensive income for the period		**1,676**	**1,633**	**(12,558)**	**12,620**	**42,085**

Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.06.2020	30.06.2019	31.12.2019
Assets				
Deferred tax asset		688	1,344	777
Intangible assets	5	26,052	29,694	29,678
Property, plant and equipment	6,7	2,230,377	2,324,847	2,280,867
Financial non-current assets	4	122	121	1,726
Total non-current assets		**2,257,239**	**2,356,007**	**2,313,048**
Trade receivables		127,299	144,371	174,158
Contract assets		9,173	4,587	9,392
Other current assets	4	39,259	13,521	20,104
Cash and cash equivalents		153,507	178,873	169,694
Total current assets		**329,239**	**341,352**	**373,348**
Total assets		**2,586,478**	**2,697,359**	**2,686,396**
Equity and liabilities				
Total paid-in capital	13	564,959	564,959	564,959
Other equity		483,107	469,681	497,419
Total equity		**1,048,066**	**1,034,640**	**1,062,378**
Non-current interest-bearing borrowings	11	1,114,154	1,241,596	1,173,882
Non-current lease liabilities	7	34,046	37,415	38,901
Post-employment benefits		5,808	9,003	7,725
Non-current contract liabilities		1,905	1,020	1,559
Other non-current liabilities	4	16,799	376	9,663
Total non-current liabilites		**1,172,713**	**1,289,410**	**1,231,730**
Current interest-bearing borrowings	11	200,794	192,950	216,581
Current lease liabilities	7	7,077	8,284	7,757
Contract liabilities		55,008	19,888	39,265
Trade payables		35,374	52,808	46,168
Other current liabilities	4	67,446	99,379	82,517
Total current liabilities		**365,699**	**373,308**	**392,288**
Total liabilities		**1,538,412**	**1,662,718**	**1,624,018**
Total equity and liabilities		**2,586,478**	**2,697,359**	**2,686,396**

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 2019	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**
Total comprehensive income for the period Q3-Q4	-	29,466	29,466	25,477	3,989	29,466
Transactions with owners for the period Q3-Q4	-	(1,728)	(1,728)	266	(1,994)	(1,728)
Balance at 31 December 2019	**564,959**	**497,419**	**1,062,378**	**981,260**	**81,118**	**1,062,378**
Profit/(loss) for the period	-	16,478	16,478	12,445	4,034	16,478
Other comprehensive income for the period	-	(29,036)	(29,036)	(29,036)		(29,036)
Total comprehensive income for the period	-	(12,558)	(12,558)	(16,592)	4,034	(12,558)
Dividend to preference share holders	-	(2,017)	(2,017)	-	(2,017)	(2,017)
Cost of Share-option plan	-	263	263	263	-	263
Transactions with owners	-	(1,754)	(1,754)	263	(2,017)	(1,754)
Balance at 30 June 2020	**564,959**	**483,107**	**1,048,066**	**964,932**	**83,134**	**1,048,066**

Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Cash flows from operating activities:						
Profit/(loss) before tax		(5,403)	554	19,016	11,116	43,805
Adjustment for provisions and other non-cash elements		89,536	70,006	133,559	134,021	281,642
Changes in working capital		25,614	12,190	18,981	(10,601)	(46,640)
Cash generated from operations		***109,746***	***82,750***	***171,557***	***134,536***	***278,808***
Interest paid		(19,445)	(22,368)	(37,314)	(37,689)	(77,940)
Net income tax (paid) / refunded		(802)	(360)	(1,601)	(894)	(2,549)
Net cash flow from operating activities		**89,499**	**60,022**	**132,642**	**95,953**	**198,319**
Cash flows from investing activities:						
Purchase of property, plant and equipment	5,6	(37,213)	(58,476)	(61,093)	(369,130)	(425,579)
Capitalised interest paid		-	(4,568)	-	(4,568)	(7,027)
Proceeds from sale of property, plant and equipment		684	287	1,477	364	3,345
Other long term receivables		1	(3)	1	44	46
Proceeds from financial investments incl. joint ventures		-	969	-	969	967
Net cash flow from investing activities		**(36,529)**	**(61,791)**	**(59,616)**	**(372,321)**	**(428,247)**
Cash flows from financing activities:						
Net (payments)/proceeds from borrowings financial institutions	11	-	456,741	25,000	770,475	805,162
Repayment of borrowings to financial institutions	11	(74,053)	(465,500)	(102,105)	(483,200)	(564,253)
Repayment of lease liabilities	7	(1,401)	(1,424)	(2,898)	(3,341)	(6,297)
Dividends paid to preference share holders		(2,017)	-	(2,017)	-	(3,909)
Net cash flow from financing activities		**(77,471)**	**(10,183)**	**(82,021)**	**283,934**	**230,704**
Effects of exchange rate changes on cash and cash equivalents		3,933	(7)	(7,193)	(3,454)	(5,843)
Net increase (decrease) in cash and cash equivalents		**(20,568)**	**(11,959)**	**(16,187)**	**4,112**	**(5,067)**
Cash and cash equivalents at beginning of period		174,075	190,833	169,694	174,761	174,761
Cash and cash equivalents at period end		**153,507**	**178,873**	**153,507**	**178,873**	**169,694**

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

These condensed interim financial statements were approved by the Board of Directors on 26 August 2020 and have not been audited.

Basis for preparation
These condensed interim financial statements for the three months period ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019.

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

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

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

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

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

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

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

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

Note 2 | Segment summary

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

The Group's internal reporting is from January 2020 prepared according to IFRS. Comparative figures are adjusted accordingly.

- **MODU:** In the MODU segment, the Group operates drilling units owned by the Group and by third parties. The MODU segment also offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

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

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

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19
External segment revenue	118,500	132,177	27,478	32,412	19,158	19,951	1,382	1,886	166,518	186,426
Inter segment revenue	-	-	4,423	4,232	4,730	6,752	(9,153)	(10,984)	-	-
Total revenue	**118,500**	**132,177**	**31,901**	**36,644**	**23,888**	**26,703**	**(7,771)**	**(9,098)**	**166,518**	**186,426**
EBITDA	**68,349**	**63,176**	**4,517**	**3,931**	**6,955**	**7,063**	**1,002**	**(2,091)**	**80,823**	**72,078**
Depreciation and impairment	(53,943)	(36,877)	(27)	(20)	(6,291)	(5,515)	(2,067)	(2,201)	(62,328)	(44,613)
EBIT	**14,406**	**26,299**	**4,491**	**3,911**	**664**	**1,548**	**(1,065)**	**(4,292)**	**18,496**	**27,465**
Net financial items									(23,899)	(26,911)
Profit / (loss) before tax - Consolidated Group									**(5,403)**	**554**

Note 2 | Segment summary - cont.

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19
External segment revenue	260,675	284,107	59,396	62,762	40,386	38,896	3,490	2,044	363,948	387,808
Inter segment revenue	-	-	8,692	8,359	11,718	12,520	(20,410)	(20,879)	-	-
Total revenue	**260,675**	**284,107**	**68,088**	**71,121**	**52,105**	**51,415**	**(16,920)**	**(18,835)**	**363,948**	**387,808**
EBITDA	**138,426**	**130,568**	**7,169**	**6,035**	**15,799**	**12,021**	**1,370**	**(3,764)**	**162,764**	**144,860**
Depreciation and impairment	(94,803)	(70,790)	(54)	(39)	(12,207)	(11,683)	(4,284)	(4,330)	(111,347)	(86,841)
EBIT	**43,624**	**59,779**	**7,115**	**5,996**	**3,593**	**338**	**(2,914)**	**(8,094)**	**51,417**	**58,019**
Net financial items									(32,401)	(46,903)
Profit / (loss) before tax - Consolidated Group									**19,016**	**11,116**

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

Note 3 | Revenue

USD thousands	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Revenue from contracts with customers	160,077	179,086	349,527	374,811	790,312
Other operating revenue	6,441	7,340	14,422	12,997	32,883
Operating revenue	**166,518**	**186,426**	**363,948**	**387,808**	**823,195**

Disaggregation of revenue

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Elimination		Consolidated	
USD thousands	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19	Q2 20	Q2 19
Primary geographical markets										
Norway	80,214	83,147	20,055	22,759	13,167	10,933	(6,668)	(8,067)	106,768	108,773
UK	38,286	48,852	11,846	13,885	1,759	2,468	(642)	(1,316)	51,250	63,889
Europe - other countries	-	-	-	-	3,842	6,351	(257)	-	3,585	6,351
Asia	-	178	-	-	4,809	6,548	(205)	284	4,604	7,010
Africa	-	-	-	-	217	267	-	-	217	267
Other geographical markets	-	-	-	-	93	137	-	-	93	137
Total operating revenue	**118,500**	**132,177**	**31,901**	**36,644**	**23,888**	**26,703**	**(7,771)**	**(9,098)**	**166,518**	**186,426**

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Elimination		Consolidated	
USD thousands	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19
Primary geographical markets										
Norway	192,065	128,151	42,480	44,809	27,510	20,445	(15,274)	(16,980)	246,782	176,425
UK	68,302	87,640	25,608	26,312	4,199	4,710	(1,545)	(2,145)	96,564	116,516
Europe - other countries	-	-	-	-	9,248	11,625	-	-	9,248	11,625
Asia	308	487	-	-	10,608	13,903	(101)	291	10,815	14,680
Africa	-	67,829	-	-	417	544	-	-	417	68,372
Other geographical markets	-	-	-	-	122	189	-	-	122	188
Total operating revenue	**260,675**	**284,107**	**68,088**	**71,121**	**52,105**	**51,415**	**(16,920)**	**(18,835)**	**363,948**	**387,808**

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

Note 4 | 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 11. The Deepsea Bergen facility with USD 18 million outstanding as at 30 June 2020 was repaid in full in July 2020.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2019.

The COVID-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

Odfjell Drilling has, to a limited extent, been impacted by the COVID-19 outbreak as we acted quickly to implement required routines to limit the contagion of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

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

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 5.5 million for the next 12 months including interest rate swaps, which is approximately USD 4.5 million lower than at year-end 2019, mainly due to interest swaps contracts entered into in 2020.

Liquidity risk

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has per 30 June 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour.
Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except changes in non-current liabilities as disclosed in note 11.

Credit risk

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

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For short term

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

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

USD thousands	Level	30.06.2020	30.06.2019	31.12.2019
Financial assets at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	2	-	554	23
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	-	-	1,606
Debt instruments at amortised cost				
- Other non-current receivables	3	122	121	120
- Trade and other current receivables	3	138,844	148,718	187,521
Total financial assets		**138,966**	**149,394**	**189,270**

USD thousands	Level	30.06.2020	30.06.2019	31.12.2019
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	1,788	27	70
- Foreign exchange forward contracts - Other current liabilities	2	401	228	-
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	12,782	349	482
Warrant liabilities - Other non-current liabilities	3	2,230	-	9,111
Financial liabilities at amortised cost				
- Non-current lease liabilities	3	34,046	37,415	38,901
- Current lease liabilities	3	7,077	8,284	7,757
- Trade and other payables	3	101,642	151,287	128,092
- Non-current interest-bearing borrowings	3	1,114,154	1,241,596	1,173,882
- Current interest-bearing borrowings	3	200,794	192,950	216,581
Total financial liabilities		**1,474,912**	**1,632,136**	**1,574,876**

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:

	30.06.2020	30.06.2019	31.12.2019
Non-current	1,114,154	1,241,596	1,173,882
Current	200,794	192,950	216,581
Total	**1,314,948**	**1,434,546**	**1,390,462**

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 5 | Intangible assets

USD thousands	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2020	18,443	11,235	29,678
Additions	-	775	775
Amortisation	-	(1,664)	(1,664)
Currency translation differences	(1,841)	(895)	(2,736)
Closing net book amount as at 30 June 2020	**16,602**	**9,450**	**26,052**
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**

Impairment tests for goodwill

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

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The prognosis for the EBITDA margin in 2020 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill within respective CGU's do not indicate any impairment requirement as at 30 June 2020.

The key assumptions used for value-in-use calculations as per Q2 2020 are as follows:

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services
EBITDA margin in prognosis period	15% - 16%	5% - 7%	25% - 34%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	9.1 %	8.5%	8.6%

Sensitivity analysis for goodwill impairment test

The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively for each of the segments. Reducing EBITDA margin by ten percentage points indicated an impairment write-down of USD 9 million in the Drilling & Technology segment. None of the other scenarios indicated any impairment write-down of goodwill as at 30 June 2020.

Note 6 | 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 2020	2,050,569	106,666	-	74,363	3,357	45,911	2,280,867
Additions	18,275	33,101	-	10,929	358	1,684	64,346
Disposals	(55)	-	-	(364)	(213)	-	(631)
Depreciation	(67,725)	(26,920)	-	(11,099)	(559)	(3,380)	(109,683)
Currency translation differences	-	-	-	(73)	(149)	(4,302)	(4,523)
Net book amount as at 30 June 2020	**2,001,064**	**112,847**	**-**	**73,757**	**2,795**	**39,914**	**2,230,377**
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)
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**
Useful lifetime	5 - 37.5 yrs	5 years	-	3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule	Straight line	Straight line	-	Straight line	Straight line	Straight line	

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

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

Note 6 | Property, plant and equipment - cont.

Impairment tests on mobile drilling units

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

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

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%	9.2%
Firm contract days	699	283	659	700	-
Firm contract day rates (weighted average)	303	433	426	333	n/a
Future normalised base case day rates - at full market recovery	435	435	435	435	n/a
Financial utilisation in normalised period	95%	95%	95%	95%	n/a

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	32,000	36,000	32,000	48,000	-
- WACC increased by	2 pp	62,000	67,000	72,000	89,000	-
- Day rate level(*) decreased by	5%	42,000	53,000	37,000	53,000	-
- Day rate level(*) decreased by	10%	84,000	107,000	87,000	107,000	-
- Normalised opex level increased by	5%	27,000	26,000	12,000	27,000	-
- Normalised opex level increased by	10%	53,000	52,000	39,000	55,000	-
- Financial utilisation in normalised period decreased by	1 pp	10,000	11,000	-	12,000	-
- Financial utilisation in normalised period decreased by	2 pp	20,000	23,000	8,000	24,000	-
- Financial utilisation in normalised period decreased by	3 pp	30,000	34,000	18,000	36,000	-

(*) excluding firm contractual day rates

Note 7 | Leases

The balance sheet shows the following amounts related to leases:

USD thousands	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2020	45,530	382	45,911
Additions	1,684	0	1,684
Depreciation	(3,193)	(187)	(3,380)
Currency translation differences	(4,263)	(38)	(4,302)
Net book amount as at 30 June 2020	**39,758**	**156**	**39,914**

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 6.

Lease liabilities

USD thousands	30.06.2020	30.06.2019	31.12.2019
Non-current	34,046	37,415	38,901
Current	7,077	8,284	7,757
Total	**41,123**	**45,699**	**46,659**

Movements in non-current lease liabilities are analysed as follows:	30.06.2020	30.06.2019	31.12.2019
Carrying amount as at 1 January	38,901	37,814	37,814
Cash flows:			
Payments for the interest portion of the lease liability	(1,110)	(688)	(1,950)
Non-cash flows:			
New lease liabilities recognised in the year	1,684	1,828	6,981
Interest expense on lease liabilities	1,179	1,303	2,515
Reclassified to current portion of lease liabilities	(2,886)	(3,566)	(6,189)
Currency exchange differences	(3,722)	723	(270)
Carrying amount as at end of period	**34,046**	**37,415**	**38,901**

Movements in current lease liabilities are analysed as follows:	30.06.2020	30.06.2019	31.12.2019
Carrying amount as at 1 January	7,757	7,911	7,911
Cash flows:			
Payments for the principal portion of the lease liability	(2,898)	(3,341)	(6,297)
Non-cash flows:			
Reclassified from non-current portion of lease liabilities	2,886	3,566	6,189
Currency exchange differences	(668)	148	(45)
Carrying amount as at end of period	**7,077**	**8,284**	**7,757**

Note 8 | Commitments

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

USD thousands	30.06.2020	30.06.2019	31.12.2019
Rig investments	23,950	6,313	8,869
Rental and casing equipment, due in 1 year	5,655	9,320	4,619
Total	**29,605**	**15,633**	**13,488**

Note 9 | Paid dividends and acquisition of own shares

The Group paid cash dividends of USD 2 million in Q2 2020 to the holders of the preference shares. Refer to note 13 *Equity* for more information about the preference shares.

The Group has not acquired any of its own shares in the interim period ending 30 June 2020.

Note 10 | Earnings per share

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

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

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

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

Neither the warrants nor the options affect the basic or dilluted number of shares in 2019 or 2020, 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 20	Q2 19	YTD 20	YTD 19	FY 19
Profit/(loss) for the period	(6,303)	(141)	16,478	9,814	40,820
Adjustment for dividends on preference shares	(2,017)	(1,925)	(4,034)	(3,829)	(7,817)
Profit/(loss) for the period due to holders of common shares	**(8,320)**	**(2,066)**	**12,445**	**5,985**	**33,003**
Adjustment related to warrants and share option plan	-	-	-	-	-
Diluted profit/(loss) for the periode due to the holders of common shares	**(8,320)**	**(2,066)**	**12,445**	**5,985**	**33,003**

	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Weighted average number of common shares in issue	236,783,202	236,783,202	236,783,202	236,783,202	236,783,202
Effects of dilutive potential common shares:					
Warrants	-	-	-	-	-
Share option plan	-	-	-	-	-
Diluted average number of shares outstanding	236,783,202	236,783,202	236,783,202	236,783,202	236,783,202

	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Basic earnings per share	(0.04)	(0.01)	0.05	0.03	0.14
Diluted earnings per share	(0.04)	(0.01)	0.05	0.03	0.14

Note 11 | Interest-bearing borrowings

USD thousands	30.06.2020	30.06.2019	31.12.2019
Non-current	1,114,154	1,241,596	1,173,882
Current	200,794	192,950	216,581
Total	**1,314,948**	**1,434,546**	**1,390,462**

Movements in non-current borrowings are analysed as follows:	30.06.2020	30.06.2019	31.12.2019
Carrying amount as at 1 January	1,173,882	311,819	311,819
Cash flows:			
New bank loan	25,000	790,000	825,000
Paid transaction costs related to amendments and new loan	-	(19,525)	(19,838)
Non-cash flows:			
Reclassified from / (to) current borrowings	(87,200)	109,166	4,212
Seller's credit raised	-	43,250	43,250
Change in transaction cost, unamortised	2,473	6,886	9,438
Carrying amount as at end of period	**1,114,154**	**1,241,596**	**1,173,882**

Movements in current borrowings are analysed as follows:	30.06.2020	30.06.2019	31.12.2019
Carrying amount as at 1 January	216,581	782,980	782,980
Cash flows:			
Repayment bank loan	(102,105)	(483,200)	(564,253)
Non-cash flows:			
Reclassified from / (to) non-current borrowings	87,200	(109,166)	(4,212)
Change in transaction cost, unamortised	123	2,018	2,018
Change in accrued interest cost	(1,005)	318	48
Carrying amount as at end of period	**200,794**	**192,950**	**216,581**

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	30.06.2020	30.06.2019	31.12.2019
Maturity within 3 months	39,053	7,000	28,053
Maturity between 3 and 6 months	67,053	74,053	74,053
Maturity between 6 and 9 months	21,053	28,053	39,053
Maturity between 9 months and 1 year	67,053	74,053	67,053
Maturity between 1 and 2 years	465,211	194,211	511,211
Maturity between 2 and 3 years	84,211	465,211	84,211
Maturity between 3 and 4 years	579,877	84,211	263,816
Maturity between 4 and 5 years	-	517,985	332,262
Maturity beyond 5 years	-	-	-
Total contractual amounts	**1,323,509**	**1,444,774**	**1,399,709**

The Deepsea Bergen facility with USD 18 million outstanding as at 30 June 2020 is included in the table above with mature date 30 September 2020. However, the facility was repaid in full in July 2020.

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

Note 11 | Interest-bearing borrowings - cont

USD 100 million junior bank facility (Odfjell Invest facility)

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

Available drawing facilities

The group has no available undrawn facilities as per 30 June 2020.

Covenants

The Group is compliant with all financial covenants as at 30 June 2020.

Note 12 | Contingencies

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

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

There are no other material contingencies to be disclosed as per 30 June 2020.

Note 13 | Equity & shareholder information

Listed shares	No.of shares	Nominal value	Share capital USD thousands
Common shares issued as at 30 June 2020	236,783,202	USD 0.01	2,368
Preference shares			
Total issued preference shares as at 30 June 2020	16,123,125	USD 0.01	161

At 30 June 2020 preferred payment in kind dividend in a total of USD 2 million was capitalised, increasing the accrued preference capital balance to USD 83 million.

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

Largest common shareholders at 30 June 2020	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,476,191	60.17%
Goldman Sachs International	Nominee	5,921,965	2.50%
J.P.Morgan Chase Bank N.A. London	Nominee	3,992,224	1.69%
Skandinaviska Enskilda Banken AB	Nominee	3,471,400	1.47%
J.P.Morgan Securities PLC	Ordinary	3,399,199	1.44%
Brown Brothers Harriman & Co.	Nominee	2,942,000	1.24%
State Street Bank and Trust Co.	Nominee	2,596,342	1.10%
J.P.Morgan Securities PLC	Ordinary	2,367,832	1.00%
The Bank of New York Mellon SA/NV	Nominee	2,103,624	0.89%
The Bank of New York Mellon SA/NV	Nominee	1,885,184	0.80%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,835,680	0.78%
J.P.Morgan Securities LLC	Nominee	1,822,322	0.77%
BNP Paribas Securities Services	Nominee	1,645,527	0.69%
State Street Bank and Trust Co.	Nominee	1,643,819	0.69%
J.P.Morgan Chase Bank N.A. London	Nominee	1,253,464	0.53%
Brown Brothers Harriman & Co.	Nominee	1,148,400	0.49%
Brown Brothers Harriman & Co.	Nominee	1,111,056	0.47%
Nordnet Livsforsikring AS	Ordinary	1,106,038	0.47%
Euroclear Bank S.A./N.V.	Nominee	1,040,122	0.44%
Total 20 largest common shareholders		**185,599,389**	**78.38%**
Other common shareholders		51,183,813	21.62%
Total common shareholders		**236,783,202**	**100.00%**

Note 14 | Net financial items

USD thousands	Note	Q2 20	Q2 19	YTD 20	YTD 19	FY 19
Interest income		52	563	590	1,496	2,661
Interest expense lease liabilities	7	(573)	(651)	(1,179)	(1,303)	(2,515)
Other interest expenses		(16,906)	(21,637)	(35,925)	(43,386)	(85,702)
Other borrowing expenses		(1,326)	(6,863)	(2,596)	(8,904)	(11,456)
Capitalised borrowing costs		-	2,621	-	7,914	7,914
Change in fair value of derivatives (*)		(1,932)	(35)	4,740	(300)	(9,757)
Dividend / gain other financial investments		-	969	-	969	967
Net currency gain/(loss)		(3,085)	(1,792)	2,165	(2,769)	(3,712)
Other financial items		(129)	(87)	(195)	(619)	(1,161)
Net financial items		**(23,899)**	**(26,911)**	**(32,401)**	**(46,903)**	**(102,762)**

(*) Including change in fair value of warrant liabilities.

Note 15 | Related-party transactions

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

Susanne Munch Thore (Director) controls 3,000 (0.00%) of the common shares in the company as per 30 June 2020.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 30 June 2020.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 476,190 (0.20%) of the common shares in the company as per 30 June 2020.

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

The Group have lease agreements with the related party Kokstad Holding AS Group (related to main shareholder). Reported lease liability to Kokstad Holding AS Group as at 30 June 2020 is USD 34 million, while payments in Q2 2020 and YTD 2020 amounts to USD 1 million and USD 3 million respectively.

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

Note 16 - Important events occurring after the reporting period

More work for Deepsea Atlantic

Equinor awarded, on 7 July 2020, a letter of intent to Odfjell Drilling for the drilling and completion of Sverdrup Phase 2 with Deepsea Atlantic. The letter of intent is subject to finalization of contract.

The contract is set to commence in Q1 2022 with a duration of 12 firm wells plus 5 optional wells. The approximate contract value for the firm scope is up to USD 150 million (excluding any integrated services, modifications/upgrades and mobilisation/demobilisation fees). In addition, a notable performance incentive rate will apply when wells are delivered ahead of target. The rate for the optional wells is at a premium to the firm wells.

Furthermore, Equinor awarded, on 18 August 2020, 3 additional wells for Deepsea Atlantic. The wells have been exercised under the Continued Optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The work shall commence after the completion of the current scope estimated to be in Q4 2020. The commercial terms are materially the same as for the abovementioned Johan Sverdrup Phase 2 letter of intent.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 30 June 2020.

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 2020 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, 26 August 2020
Board of Directors of Odfjell Drilling Ltd.

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