Odfjell Drilling Ltd.

Report for the 3rd quarter of 2017

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	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Operating revenue…………………………………………	178	167	491	509	657
EBITDA……………………………………………………	81	89	207	206	285
EBIT…………………………………………………………	41	47	86	82	34
Net profit (loss)……………………………………………	18	21	21	11	(64)
EBITDA margin………………………………………………	45%	53%	42%	41%	43%
Total assets………………………………………………			2,191	2,422	2,264
Net interest bearing debt………………………………			1,117	1,275	1,231
Equity……………………………………………………			757	804	722
Equity ratio……………………………………………			35%	33%	32%

Highlights Q3 2017

Odfjell Drilling Ltd. Group

- Operating revenue of USD 178 million compared to USD 167 million in Q3 2016.
- EBITDA of USD 81 million compared to USD 89 million in Q3 2016.
- EBITDA margin of 45% compared to an EBITDA margin of 53% in Q3 2016.
- The Group's contract backlog is USD 2.6 billion, whereof USD 1.3 billion is firm backlog. The comparable figure at the end of Q3 2016 was USD 2.8 billion, whereof USD 1.7 billion was firm backlog.

Mobile Offshore Drilling Units segment

- Operating revenue of USD 128 million compared to USD 109 million in Q3 2016.
- EBITDA of USD 65 million compared to USD 55 million in Q3 2016.
- EBITDA margin of 50% same as in Q3 2016.

Drilling & Technology segment

- Operating revenue of USD 29 million compared to USD 35 million in Q3 2016.
- EBITDA of USD 11 million compared to an EBITDA loss of USD 2 million in Q3 2016.
- The Q3 2017 EBITDA was affected by a gain of USD 9.5 million from the disposal of the Company's shares in Robotic Drilling Systems AS ("RDS").
- EBITDA margin of 37% compared to a negative EBITDA margin of 6% in Q3 2016. EBITDA margin exclusive of the RDS sales gain was 4% in the period.

Well Services segment

- Operating revenue of USD 26 million compared to USD 29 million in Q3 2016.
- EBITDA of USD 10 million compared to USD 12 in Q3 2016.
- EBITDA margin of 38% compared to 40% in Q3 2016.

Odfjell Drilling enters into a drilling and well alliance

On 20 November 2017, Odfjell Drilling entered into a drilling and well alliance formed by Aker BP. The agreement has a total duration of 5 years plus 5 optional years.

The intent is that the alliance shall plan and execute sanctioned production and exploration drilling activities by using an integrated well delivery model. This means that Odfjell Drilling will drill wells suitable for semi-submersibles for Aker BP, subject Odfjell Drilling's rig availability and that the alliance model is approved in the respective licenses.

Sale of Robotic Drilling Systems to Nabors

On 31 August 2017, the shareholders of RDS entered into an agreement to sell all shares in RDS to Nabors Industries ("Nabors"). Odfjell Drilling held, through its fully owned subsidiary Odfjell Drilling Technology Ltd., approximately 37% of the shares in RDS.

As part of the transaction Odfjell Drilling and Nabors have signed a Memorandum of Understanding with the intention to establish a strategic cooperation agreement which will ensure Odfjell Drilling access to RDS' robotic technologies for Odfjell Drilling's existing and future drilling rigs.

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q3 2017

Operating revenue for Q3 2017 was USD 178 million (USD 167 million), an increase of USD 11 million, mainly due to increased activity in Mobile Offshore Drilling Units, partly offset by the reduction in activity in Drilling & Technology and Well Services from Q3 16 to Q3 17.

EBITDA in Q3 2017 was USD 81 million (USD 89 million), a net decrease of USD 8 million. The Q3 2016 EBITDA was positively impacted by a pension effect of USD 19 million due to a change in the pension scheme for Norwegian employees. The Q3 2017 EBITDA was positively impacted by a gain from sale of investment in RDS of USD 9.5 million. In addition to these effects, both Mobile Offshore Drilling Units and Drilling & Technology improved EBITDA from Q3 2016 to Q3 2017.

The EBITDA margin in Q3 2017 was 45% (53%). The decreased margin was mainly affected by the positive impact from pension changes in Q3 2016 being higher than the gain from sale of RDS in Q3 2017.

EBIT in Q3 2017 was USD 41 million (USD 47 million), a decrease of USD 6 million.

Net financial expenses in Q3 2017 amounted to USD 21 million compared to USD 15 million in Q3 2016. The increase of USD 6 million was mainly related to currency losses.

In Q3 2017 the tax expense was USD 2 million (USD 10 million). Tax expense in Q3 2017 is mainly related to profits in Norway, in addition to withholding taxes in other countries.

Net profit in Q3 2017 was USD 18 million (USD 21 million).

Profit & loss YTD 2017

Operating revenue for YTD 2017 was USD 491 million (USD 509 million), a decrease of USD 18 million. Operating revenue decreased due to a reduction in activity in Drilling & Technology and Well Services from 2016 to 2017, partly offset by an increase of revenues in Mobile Offshore Drilling Units.

EBITDA YTD 2017 was USD 207 million (USD 206 million), a net increase of USD 1 million. The YTD 2016 EBITDA was positively impacted by pension effects of USD 19 million due to a change in the pension scheme for Norwegian employees. The YTD 2017 EBITDA was positively impacted by the gain from sale of investment in RDS of USD 9.5 million. In addition, EBITDA YTD improved in Mobile Offshore Drilling Units and Drilling & Technology, partly offset by decreased EBITDA in Well Services.

EBIT YTD 2017 was USD 86 million (USD 82 million), an increase of USD 4 million.

Net financial expenses YTD 2017 amounted to USD 59 million (USD 53 million), an increase of USD 6 million, mainly related to currency losses.

YTD 2017 the tax expense was USD 4 million, compared to USD 20 million YTD 2016.

Net profit YTD 2017 was USD 21 million, compared to USD 11 million YTD 2016.

Balance sheet

Total assets as at 30 September 2017 amounted to USD 2,191 million compared to USD 2,264 million as at 31 December 2016, a decrease of USD 73 million.

Equity as at 30 September 2017 amounted to USD 757 million, compared to USD 722 million as at 31 December 2016, an increase of USD 35 million.

The equity ratio was 35% as at 30 September 2017, compared to 32% at year-end 2016.

Net interest bearing debt as at 30 September 2017 amounted to USD 1,117 million, compared to USD 1,231 million as at 31 December 2016, a decrease of USD 114million.

Cash flow

Net cash flow from operating activities in Q3 2017 was positive with USD 39 million. The Group paid USD 15 million in interest and USD 1 million in income taxes.

Net cash flow from investing activities in Q3 2017 was USD 15 million. Proceeds from sale of investment in RDS of USD 18 million were partly offset by capital expenditures of USD 3 million.

USD 27 million was used for instalments on existing credit facilities in Q3 2017.

Net cash flow from operating activities YTD 2017 was positive at USD 113 million. YTD 2017 the Group paid USD 47 million in interest and USD 15 million in income taxes.

Net cash flow from investing activities YTD 2017 was positive at USD 1 million. Proceeds from sale of investments and fixed assets of USD 21 million were offset by capital expenditures of USD 20 million.

USD 123 million was used for instalments on existing credit facilities YTD 2017.

At 30 September 2017 the cash and cash equivalents amounted to USD 178 million. There has been a total negative net change in cash and cash equivalents of USD 4 million since 31 December 2016.

Segments

The Group's internal reporting is prepared according to Norwegian GAAP. This gives rise to differences between the measurements of segment disclosures and comparable items disclosed in this report and in particular the treatment of pension effects in 2016.

Mobile Offshore Drilling Units (MODU)

All figures in USD million

Key figures MODU segment	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Operating revenue…………………………………………	128	109	363	330	438
EBITDA……………………………………………………………	65	55	186	158	226
EBIT………………………………………………………………	31	21	87	60	10
EBITDA margin……………………………………………	50%	50%	51%	48%	52%

Operating revenue for the MODU segment in Q3 2017 was USD 128 million (USD 109 million), an increase of USD 19 million, or 17%. There was an increase in utilization for Deepsea Stavanger during the period compared to last year as the rig was mainly idle in Q3 2016. However, this increase in activity was partly offset by lower revenue for Deepsea Bergen during parts of Q3 2017.

EBITDA for the MODU segment in Q3 2017 was USD 65 million (USD 55 million), an increase of USD 10 million, or 18%. The increase in EBITDA relates to the reasons mentioned above.

EBIT for the MODU segment in Q3 2017 was USD 31 million (USD 21 million), an increase of USD 10 million, or 50%.

Operating revenue for the MODU segment YTD 2017 was USD 363 million (USD 330 million), an increase of USD 33 million, or 10%. This change is explained by the increase in utilization for the fleet, as Deepsea Atlantic has been operating on the Johan Sverdrup field for Statoil and Deepsea Stavanger commenced the Maria contract for Wintershall Norway on 20 March 2017. In 2016 both Deepsea Atlantic and Deepsea Stavanger were idle during parts of the 1st half of the year. The increase in utilization was partly offset by lower revenues for Deepsea Bergen.

EBITDA for the MODU segment YTD 2017 was USD 186 million (USD 158 million), an increase of USD 28 million, or 18%. The increase in EBITDA relates mainly to the change in revenue as explained above.

EBIT for the MODU segment YTD 2017 was USD 87 million (USD 60 million), an increase of USD 27 million, or 46%.

MODU - Financial utilisation

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

Financial Utilisation - MODU	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Deepsea Stavanger	99.3 %	99.9 %	98.3 %	99.7 %	99.7 %
Deepsea Atlantic	98.4 %	98.3 %	98.0 %	99.1 %	97.3 %
Deepsea Bergen	99.4 %	99.6 %	99.1 %	97.8 %	96.4 %
Deepsea Aberdeen	98.1 %	99.1 %	97.1 %	98.5 %	98.3 %

- Deepsea Stavanger has been operating for Wintershall on the NCS in Q3 2017.
- Deepsea Atlantic has been operating for Statoil on the NCS in Q3 2017.
- Deepsea Bergen has been operating for Faroe Petroleum, Statoil and Wellesley, all on the NCS, in Q3 2017.
- Deepsea Aberdeen has been operating for BP West of Shetland in Q3 2017.

Drilling & Technology

All figures in USD million

Key figures Drilling & Technology segment	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Operating revenue	29	35	73	110	131
EBITDA	11	(2)	12	(3)	(0)
EBIT	10	(3)	11	(7)	(4)
EBITDA margin	36%	(6%)	16%	(3%)	0%

Operating revenue for the Drilling & Technology segment in Q3 2017 was USD 29 million (USD 35 million), a decrease of USD 6 million, or 17 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services in this quarter compared to Q3 2016.

EBITDA for the Drilling & Technology segment in Q3 2017 was USD 11 million (negative USD 2 million), an improvement of USD 13 million. EBIT for the Drilling & Technology segment in Q3 2017 was USD 10 million (negative USD 3 million), an improvement of USD 13 million. The Q3 2017 EBITDA and EBIT were affected by a gain of USD 9.5 million from the disposal of the Company's shares in RDS. In addition to this gain, the improvement in EBITDA and EBIT is explained by improved operating margins on the platform drilling portfolio.

Operating revenue for the Drilling & Technology segment YTD 2017 was USD 73 million (USD 110 million), a decrease of USD 37 million, or 34 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services in the period.

EBITDA for the Drilling & Technology segment YTD 2017 was USD 12 million (negative USD 3 million), an increase of USD 15 million. EBIT for the Drilling & Technology segment YTD 2017 was USD 11 million (negative USD 7 million), a positive increase of USD 18 million. The improvement in EBITDA and EBIT is mainly explained by the gain on sale of RDS and increased operating margins on the platform drilling portfolio.

Well Services

All figures in USD million

Key figures Well Services segment	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Operating revenue..	26	29	70	86	110
EBITDA..	10	12	23	33	43
EBIT...	3	4	2	8	11
EBITDA margin..	38%	40%	33%	38%	39%

Operating revenue for the Well Services segment in Q3 2017 was USD 26 million (USD 29 million), a decrease of USD 3 million. The reduction of revenue for the Well Services segment in Q3 2017 compared to last year is explained primarily by reduced market prices and lower activity level in general. Lower drilling activity in the market has led to lower utilization of well service equipment globally resulting in a general price pressure due to increased competition.

EBITDA for the Well Services segment in Q3 2017 was USD 10 million (USD 12 million), a decrease of USD 2 million. EBITDA margin for the Well Services segment in Q3 2017 was 38% compared to 40% for Q3 2016.

EBIT for the Well Services segment in Q3 2017 was USD 3.4 million (USD 3.6 million), a decrease of USD 0.2 million. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenues partly offset by reduced costs.

Operating revenue for the Well Services segment YTD 2017 was USD 70 million (USD 86 million), a decrease of USD 16 million, or 19 %. The decrease in YTD 2017 revenue is explained by the same factors as for Q3 2017.

EBITDA for the Well Services segment YTD 2017 was USD 23 million (USD 33 million), a decrease of USD 10 million, or 29%. EBITDA margin for the Well Services segment YTD 2017 was 33% compared to 38% for YTD 2016.

EBIT for the Well Services segment YTD 2017 was USD 2 million (USD 8 million), a decrease of USD 6 million. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenue.

Outlook

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

Within the next few years we believe the continued scrapping of older midwater and harsh environment units in combination with required exploration and development drilling will bring the harsh environment market back to balance and subsequently improved day rates. Odfjell Drilling has a fleet mainly consisting of 6th generation semi submersibles tailored for efficient operations in harsh environments.

Deepsea Stavanger started operations for Wintershall at the Maria field on 20 March 2017. From Q1 2018 the unit will commence back-to-back work for Aker BP until the mobilization in Q4 2018 to South Africa for the drilling contract with Total. Deepsea Aberdeen is contracted until April 2022 for BP West of Shetland and Deepsea Atlantic is contracted to Statoil until March 2019 on the Johan Sverdrup field. Deepsea Bergen is currently preparing for its next contract with OMV scheduled to commence end of November 2017. The unit will thereafter return to Statoil, potentially keeping the rig in operations into the second half of 2019. Odfjell Drilling has furthermore entered into a 5+5 years alliance with Aker BP with the intent to will drill wells suitable for semi-submersibles for Aker BP, subject Odfjell Drilling's rig availability and that the alliance model is approved in the respective licenses.

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

The slowdown in the North Sea market has led to an ongoing low activity level for development and upgrade projects. The Group has reduced the cost level substantially throughout the organisation and is well positioned to 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 only four units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet.

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

The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

The market outlook and contract situation for the Group's mobile offshore drilling units may also affect covenant risk since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. The Company monitors the total liquidity position and will take measures if necessary. The Group has, through the latest years, implemented cost reduction and efficiency improvement programs and continued its focus on capital discipline in order to improve its competitiveness in a challenging market.

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

Quality, health, safety & environment (QHSE)

Key figures QHSE	YTD 2017	FY 2016
Lost time incident frequency (as per 1 million working hours).....................	0.4	0.6
Total recordable incident frequency (as per 1 million working hours).......	1.9	1.8
Sick leave (percentage)...	2.7	3.1
Dropped objects frequency (as per 1 million working hours)......................	3.8	4.5
Number of employees..	2,141	1,708

Hamilton, Bermuda
22 November 2017

Board of Directors of Odfjell Drilling Ltd.

Carl-Erik Haavaldsen, Chairman

Helene Odfjell, Director

Kirk L. Davis, Director

Bengt Lie Hansen, Director

Henry H. Hamilton III, Director

Appendix 1: Definitions of alternative performance measures

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

EBITDA margin
EBITDA/Operating revenue

EBIT margin
EBIT/Operating revenue

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

Equity ratio
Total equity/total equity and liabilities

Net interest-bearing debt
Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents

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

Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements

3rd quarter of 2017

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Operating revenue	3	**178,448**	**167,166**	**491,486**	**508,539**	**657,392**
Other gains and losses		9,787	119	9,952	402	629
Share of profit (loss) from Deep Sea Metro Ltd. Group	3,8	-	-	-	20	20
Personnel expenses		(70,842)	(48,848)	(194,650)	(194,178)	(232,561)
Other operating expenses		(36,615)	(29,222)	(99,753)	(108,310)	(140,663)
EBITDA		**80,777**	**89,214**	**207,034**	**206,473**	**284,817**
Depreciation, amortisation and impairment	4	(40,103)	(42,560)	(121,299)	(123,975)	(250,722)
Operating profit (EBIT)		**40,674**	**46,653**	**85,735**	**82,498**	**34,094**
Share of profit (loss) from other joint ventures	8	(378)	(311)	(1,485)	975	1,399
Net financial items	13	(20,867)	(14,897)	(58,638)	(52,901)	(74,046)
Profit/(loss) before tax		**19,429**	**31,446**	**25,612**	**30,571**	**(38,553)**
Income taxes	10	(1,613)	(10,262)	(4,325)	(19,608)	(25,141)
Profit/(loss) for the period		**17,816**	**21,183**	**21,287**	**10,964**	**(63,694)**
Earnings per share (USD)						
Basic earnings per share	7	0.09	0.11	0.11	0.06	(0.32)
Diluted earnings per share	7	0.09	0.11	0.11	0.06	(0.32)

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Profit/(loss) for the period		**17,816**	**21,183**	**21,287**	**10,964**	**(63,694)**
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Actuarial gain / (loss) on post employment benefit obligations		(238)	(4,818)	(238)	(4,818)	(4,526)
Total		(238)	(4,818)	(238)	(4,818)	(4,526)
Items that are or may be reclassified to profit or loss:						
Cash flow hedges		(231)	551	479	328	470
Currency translation differences		8,475	4,149	12,967	6,163	(1,689)
Total		8,244	4,700	13,446	6,491	(1,218)
Other comprehensive income for the period, net of tax		**8,006**	**(119)**	**13,208**	**1,673**	**(5,744)**
Total comprehensive income for the period		**25,822**	**21,065**	**34,494**	**12,637**	**(69,438)**

Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.09.2017	30.09.2016	31.12.2016
Assets				
Deferred tax asset		2,383	2,664	2,498
Intangible assets	4	34,086	35,947	33,009
Property, plant and equipment	4	1,813,067	2,034,078	1,912,754
Financial non-current assets	2,8	199	8,779	8,739
Total non-current assets		**1,849,736**	**2,081,468**	**1,957,000**
Spare parts		1,951	3,235	1,782
Trade receivables	14	139,002	130,192	111,090
Other current assets	2	22,447	17,770	12,097
Cash and cash equivalents		177,752	189,351	181,623
Total current assets		**341,151**	**340,548**	**306,591**
Total assets		**2,190,887**	**2,422,016**	**2,263,592**
Equity and liabilities				
Total paid-in capital		328,841	328,841	328,841
Other equity		427,740	475,320	393,245
Total equity		**756,581**	**804,161**	**722,086**
Non-current interest-bearing borrowings	9	1,134,038	1,278,391	1,208,180
Post-employment benefits		17,607	20,290	17,554
Other non-current liabilities	2	5,973	3,940	1,623
Total non-current liabilites		**1,157,618**	**1,302,620**	**1,227,358**
Current interest-bearing borrowings	9	160,635	186,058	204,058
Trade payables		27,684	19,764	17,233
Other current liabilities	2,14	88,369	109,413	92,857
Total current liabilities		**276,689**	**315,235**	**314,148**
Total liabilities		**1,434,307**	**1,617,855**	**1,541,506**
Total equity and liabilities		**2,190,887**	**2,422,016**	**2,263,592**

Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the parent				
USD thousands	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Restated balance at 1 January 2016	1,987	326,853	(113,684)	576,368	791,524
Profit/(loss) for the period	-	-	-	10,964	10,964
Other comprehensive income for the period	-	-	6,491	(4,818)	1,673
Total comprehensive income for the period	-	-	6,491	6,146	12,637
Balance at 30 Sept 2016	**1,987**	**326,853**	**(107,193)**	**582,513**	**804,161**
Total comprehensive income for the period Q4			(7,710)	(74,365)	(82,075)
Balance at 31 December 2016	**1,987**	**326,853**	**(114,903)**	**508,148**	**722,086**
Profit/(loss) for the period	-	-	-	21,287	21,287
Other comprehensive income for the period	-	-	13,446	(238)	13,208
Total comprehensive income for the period	-	-	13,446	21,048	34,494
Balance at 30 September 2017	**1,987**	**326,853**	**(101,456)**	**529,196**	**756,581**

Condensed Consolidated Statement of Cash Flows

USD thousands	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Cash flows from operating activities:					
Profit/(loss) before tax	19,429	31,446	25,612	30,571	(38,553)
Adjustments for:					
Depreciation, amortisation and impairment	40,103	42,560	121,299	123,975	250,722
Unrealised (gain)/loss on interest rate swaps	(262)	(525)	(222)	660	(660)
Interest expense - net	16,086	14,558	48,509	43,922	60,359
Amortized borrowing cost	1,658	2,205	4,594	6,142	7,432
Share of (profit)/loss from joint ventures	378	311	1,485	(995)	(1,419)
Net (gain)/loss on sale of shares	(9,453)	-	(9,592)	-	-
Net (gain)/loss on sale of tangible fixed assets	(323)	(89)	(369)	(314)	(486)
Post-employment benefit expenses less payments	(39)	(23,190)	(1,669)	(31,352)	(32,873)
Net currency (gain)/loss not related to operating activities	2,121	1,784	4,287	(574)	(4,115)
Changes in working capital:					
Spare parts	(91)	21	(87)	(284)	1,079
Trade receivables	(14,451)	14,226	(20,714)	46,967	58,446
Trade payables	(1,591)	(8,542)	8,934	(8,216)	(11,177)
Other accruals	984	(14,392)	(7,025)	(47,608)	(47,724)
Cash generated from operations	***54,550***	***60,372***	***175,043***	***162,896***	***241,032***
Interest paid	(14,970)	(13,272)	(47,433)	(44,425)	(58,802)
Net income tax refunded (paid)	(796)	(1,640)	(14,682)	19,232	16,443
Net cash flow from operating activities	**38,784**	**45,460**	**112,928**	**137,703**	**198,673**
Cash flows from investing activities:					
Purchase of property, plant and equipment	(3,194)	(4,638)	(19,877)	(25,531)	(31,229)
Proceeds from sale of property, plant and equipment	411	262	645	1,182	1,464
Other long term receivables	57	20	96	49	67
Proceeds from investments, incl. joint ventures	18,206	-	20,468	7,920	7,920
Net cash flow from investing activities	**15,480**	**(4,356)**	**1,333**	**(16,381)**	**(21,778)**
Cash flows from financing activities:					
Net (payments)/proceeds from borrowings financial institutions	(737)	519,226	(737)	519,226	519,226
Repayments of borrowings to financial institutions	(26,500)	(538,000)	(122,500)	(657,000)	(713,000)
Net cash flow from financing activities	**(27,237)**	**(18,774)**	**(123,237)**	**(137,774)**	**(193,774)**
Effects of exchange rate changes on cash and cash equivalents	2,415	1,308	5,105	4,177	(3,125)
Net increase (decrease) in cash and cash equivalents	**29,442**	**23,639**	**(3,871)**	**(12,275)**	**(20,004)**
Cash and cash equivalents at beginning of period	148,310	165,713	181,623	201,626	201,626
Cash and cash equivalents at period end	**177,752**	**189,351**	**177,752**	**189,351**	**181,623**

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.

These condensed interim financial statements were approved by the Board of Directors for issue on 22 November 2017 and have not been audited.

Basis for preparation
These condensed interim financial statements for the nine months period ended 30 September 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016.

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

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

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

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

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 4 Tangible and intangible assets*, where assumptions and sensitivity analysis for goodwill and mobile drilling units are presented.

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

(All amounts are in USD thousands unless otherwise stated)

Note 2 | Financial risk management and Financial instruments

Financial risk factors

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

The Group's refinancing risk is diversified with each loan facility maturing at different times until November 2021. Successful refinancing of each facility may be dependent on contract backlog, asset values and overall financial market conditions.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2016. There are no material changes compared to the description in the year-end financial statements.

Calculation of the Group’s sensitivity to interest rate fluctuations showed that the effect of an increase in interest rates by one percentage point (e.g. from 4.0% to 5.0%) was approximately USD 11.4 million for FY 2016 including interest rate swaps. There is no material change in the Group's interest rate sensitivity compared to year-end.

Liquidity risk

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

Fair value estimation

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

Assets at	Level	30.09.2017	30.09.2016	31.12.2016
Available-for-sale financial assets				
- Other current assets	2	5,602	-	-
Derivatives held at fair value through profit and loss				
- Other current assets	2	131	-	-
Derivatives held as hedge instrument				
- Other non-current assets	2	-	116	235
Total assets		**5,733**	**116**	**235**

Liabilities at	Level	30.09.2017	30.09.2016	31.12.2016
Derivatives held at fair value through profit or loss				
- Other non-current liabilities	2	10	1,421	101
Derivatives held as hedge instrument				
- Other non-current liabilities	2	-	797	-
- Other current liabilities	2	60	-	774
Total liabilities		**70**	**2,218**	**875**

(All amounts are in USD thousands unless otherwise stated)

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

Valuation techniques used to derive Level 2 fair values

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

Fair value of financial liabilities measured at amortised cost

The fair value of borrowings are as follows:

	30.09.2017	30.09.2016	31.12.2016
Non-current	1,134,038	1,278,391	1,208,180
Current	160,635	186,058	204,058
Total	**1,294,673**	**1,464,449**	**1,412,239**

The fair value of the following financial assets and liabilities approximate their carrying amount:
- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables

(All amounts are in USD thousands unless otherwise stated)

Note 3 | Segment summary

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

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

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

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

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

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

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	Q3 17	Q3 16	Q3 17	Q3 16	Q3 17	Q3 16	Q3 17	Q3 16	Q3 17	Q3 16
External segment revenue	127,273	107,711	27,452	34,523	20,010	21,761	3,712	3,171	178,448	167,166
Inter segment revenue	798	1,753	1,591	540	6,344	6,764	(8,733)	(9,058)	-	-
Total revenue	**128,071**	**109,464**	**29,043**	**35,063**	**26,354**	**28,526**	**(5,021)**	**(5,887)**	**178,448**	**167,166**
EBITDA	**64,506**	**54,745**	**10,588**	**(2,119)**	**10,107**	**11,500**	**(4,425)**	**25,087**	**80,777**	**89,213**
Depreciation and impairment	(33,081)	(33,791)	(236)	(1,130)	(6,702)	(7,904)	(84)	265	(40,103)	(42,560)
EBIT	**31,425**	**20,954**	**10,352**	**(3,249)**	**3,405**	**3,595**	**(4,508)**	**25,352**	**40,674**	**46,653**

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16	YTD 17	YTD 16
External segment revenue	361,660	326,129	67,684	104,191	54,659	68,153	7,482	10,066	491,486	508,539
Inter segment revenue	1,786	3,621	5,339	6,010	15,124	18,040	(22,249)	(27,672)	-	-
Total revenue	**363,446**	**329,750**	**73,023**	**110,201**	**69,783**	**86,193**	**(14,767)**	**(17,605)**	**491,486**	**508,539**
EBITDA	**185,690**	**157,549**	**11,529**	**(3,045)**	**23,045**	**32,641**	**(13,230)**	**19,327**	**207,034**	**206,473**
Depreciation and impairment	(98,928)	(97,945)	(676)	(3,682)	(21,415)	(24,614)	(281)	2,266	(121,299)	(123,975)
EBIT	**86,762**	**59,604**	**10,854**	**(6,726)**	**1,629**	**8,027**	**(13,511)**	**21,592**	**85,735**	**82,498**

(All amounts are in USD thousands unless otherwise stated)

Note 3 | Segment summary - cont.

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

Reconciliation:	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
EBIT for reportable segments	**45,183**	**21,301**	**99,246**	**60,906**	**16,871**
Corporate / Eliminations	(5,786)	(3,343)	(15,407)	(10,345)	(14,787)
Share of profit from DSM Ltd. Group	-	-	-	20	20
Accounting differences	1,278	28,697	1,896	31,918	31,990
EBIT - Consolidated Group	**40,674**	**46,654**	**85,735**	**82,498**	**34,094**
Share of profit (loss) from other joint ventures	(378)	(311)	(1,485)	975	1,399
Net financial items	(20,867)	(14,897)	(58,638)	(52,901)	(74,046)
Profit / (loss) before tax - Consolidated Group	**19,429**	**31,446**	**25,612**	**30,571**	**(38,553)**

Note 4 | Tangible and intangible fixed assets

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Machinery & equipment	Total fixed assets
Opening net book amount as at 1 January 2017	1,680,965	124,892	105,027	1,870	1,912,754
Additions	11,298	5,466	2,406	211	19,381
Disposals	-	-	(204)	(73)	(277)
Depreciation	(65,783)	(31,862)	(20,633)	(887)	(119,165)
Impairment / (reversal of impairment)	-	-	-	-	-
Currency translation differences	-	183	105	87	374
Closing net book amount as at 30 September 2017	**1,626,480**	**98,678**	**86,701**	**1,208**	**1,813,067**
Restated net book amount as at 1 January 2016	1,841,007	158,235	128,578	3,544	2,131,364
Additions	8,382	10,215	5,835	90	24,522
Disposals	(425)	-	(423)	(20)	(869)
Depreciation and amortisation	(67,932)	(28,872)	(23,893)	(1,329)	(122,026)
Impairment	-	-	-	-	-
Currency translation differences	851	-	176	59	1,087
Closing net book amount as at 30 September 2016	**1,781,883**	**139,578**	**110,273**	**2,344**	**2,034,078**
Useful lifetime	5 - 35 years	5 years	3 - 10 years	3 - 5 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	

Impairment tests mobile drilling units

Odfjell Drilling performs impairment tests on a regular basis. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each unit's recoverable amount. The Group acknowledges that there may be both macroeconomic and industry specific challenges when looking at a longer period of time, which a rig's lifetime is. Estimated cash flows may for these reasons vary over time and different scenarios have therefore been accounted for. The Group has in its calculations accounted for different scenarios when it comes to assumptions related to day rate, operating expenses, financial utilisation and market recovery.

In the sensitivity analysis, rig broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller is used as a basis for fair value less cost to sell. The estimated impairment in the different scenarios is based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell.

Based on impairment tests performed as at 30 September 2017, no impairment has been identified for any of the rigs.

(All amounts are in USD thousands unless otherwise stated)

Note 4 | Tangible and intangible fixed assets - cont

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

Key assumptions	**Deepsea Atlantic**	**Deepsea Stavanger**	**Deepsea Aberdeen**	**Deepsea Bergen**
	6G Semi	6G Semi	6G Semi	3G semi
Weighted Average Cost of Capital (WACC)	10.5%	10.5%	10.5%	9.0%
Firm contract days	516	579	1,643	175
Firm contract day rates (weighted average)	295	273	450	124
Future normalised base case day rates - at full market recovery	435	435	435	225
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		**Deepsea Atlantic**	**Deepsea Stavanger**	**Deepsea Aberdeen**	**Deepsea Bergen**
Estimated impairment write-down if:					
- WACC increased by	1 pp	40,000	42,000	-	1,000
- WACC increased by	2 pp	76,000	78,000	31,000	3,000
- Day rate level decreased by	5%	38,000	43,000	-	3,000
- Day rate level decreased by	10%	81,000	87,000	-	7,000
- Normalised opex level increased by	5%	19,000	20,000	-	4,000
- Normalised opex level increased by	10%	39,000	40,000	-	8,000
- Financial utilisation in normalised period decreased by	1 pp	8,000	10,000	-	2,000
- Financial utilisation in normalised period decreased by	2 pp	15,000	20,000	-	3,000
- Financial utilisation in normalised period decreased by	3 pp	23,000	29,000	-	4,000

Note 4 | Tangible and intangible fixed assets - cont

USD thousands	Goodwill	Software	Total intangible assets
Opening net book amount as at 1 January 2017	18,786	14,223	33,009
Additions	-	496	496
Disposals	-	-	-
Amortisation	-	(2,135)	(2,135)
Impairment	-	-	-
Currency translation differences	1,588	1,128	2,716
Closing net book amount as at 30 September 2017	**20,374**	**13,712**	**34,086**
Opening net book amount as at 1 January 2016	18,383	15,417	33,800
Additions	-	1,010	1,010
Amortisation	-	(1,949)	(1,949)
Currency translation differences	1,701	1,386	3,087
Closing net book amount as at 30 September 2016	**20,084**	**15,863**	**35,947**

Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. The Drilling & Technology segment, as well as the Well Services segment, only consist of one Cash Generation Unit (CGU) each.

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The discount factor applied in the cash flow projections is a pre-tax weighted average cost of capital.

The key assumptions used for value-in-use calculations as per Q3 2017 are as follows:

	Drilling & Technology	Well Services
EBITDA margin in prognosis period	2% - 8%	33% - 43%
Growth rate year 6 and forward	0.0%	0.0%
Weighted Average Cost of Capital (WACC)	6.7%	7.8%

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 30.09.2017.

The prognosis for the EBITDA margin in 2017 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Sensitivity analysis for goodwill impairment test

The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively for each of the segments. Reducing EBITDA margin by ten percentage points indicated an impairment write-down of USD 16 million. None of the other scenarios indicated any impairment write-down of goodwill as at 30.09.2017.

Note 5 | Commitments

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

USD thousands	30.09.2017	30.09.2016	31.12.2016
Rig investments*	6,110	15,300	16,310
Rental and casing equipment, due in 1 year	1,570	431	1,953
Total	**7,680**	**15,731**	**18,263**

*Rig investments as per 30.09.17 are mainly for Deepsea Stavanger investments before start-up of the Aker BP and Total contracts in 2018.

Note 6 | Paid dividends and acquisition of own shares

The Group has not paid dividends or acquired any own shares in the interim period ending 30 September 2017.

Note 7 | Earnings per share

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

Note 8 | Financial non-current assets

USD thousands	30.09.2017	30.09.2016	31.12.2016
Investment in joint ventures	-	8,344	8,217
Investment in financial instruments	-	116	235
Other long term receivables	199	318	287
Total financial non-curent assets	**199**	**8,779**	**8,739**

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

USD thousands	30.09.2017	30.09.2016	31.12.2016
Opening net book amount as at beginning of the period	-	7,900	7,900
Repayment of capital	-	(7,920)	(7,920)
Share of profits classified as operating	-	20	20
Closing net book amount as at end of period	**-**	**-**	**-**

As part of a larger restructuring of Golden Close Maritime Corp. Ltd. ("Golden"), the owner of Deepsea Metro I, Deep Sea Metro Ltd.'s ownership in Golden was diluted to approximately 0.0022%, effective from 29 March 2017.

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

USD thousands	30.09.2017	30.09.2016	31.12.2016
Opening net book amount as at beginning of the period	8,217	6,519	6,519
Divestments during the year	(8,755)		-
Share of profits classified as financial	(1,485)	975	1,399
Currency translation differences	2,024	850	299
Closing net book amount as at end of period	**-**	**8,344**	**8,217**

The shareholders of Robotic Drilling Systems AS ("RDS") entered at 31 August 2017 into an agreement to sell all shares in RDS to Nabors Industries. As consideration for the shares, Odfjell Drilling received USD 18.2 million. The transaction generated a gain of USD 9.5 million presented as "Other gains and losses" in the consolidated income statement.

There have been no changes to the Group's investments in Guarapari Drilling BV, Siri Drilling BV and Itaoca Drilling BV, which are all valued at 0 as at 30.09.2016, 31.12.2016 and 30.09.2017.

Note 9 | Interest-bearing borrowings

USD thousands	30.09.2017	30.09.2016	31.12.2016
Non-current	1,134,038	1,278,391	1,208,180
Current	160,635	186,058	204,058
Total	**1,294,673**	**1,464,449**	**1,412,239**

Movements in non-current borrowings are analysed as follows:	30.09.2017	30.09.2016	31.12.2016
Carrying amount as at 1 January	1,208,180	878,664	878,664
New bank loan raised	-	525,000	525,000
Reclassified to current portion of non current borrowings	(78,000)	(122,500)	(194,000)
Paid transaction costs related to amendments and new bank loan	(737)	(5,774)	(5,774)
Change in transaction cost, unamortised	4,594	3,001	4,290
Carrying amount as at end of period	**1,134,038**	**1,278,391**	**1,208,180**

Movements in current borrowings are analysed as follows:	30.09.2017	30.09.2016	31.12.2016
Carrying amount as at 1 January	204,058	718,360	718,360
Repayment bank loan	(122,500)	(657,000)	(713,000)
Reclassified to current portion of non current borrowings	78,000	122,500	194,000
Change in transaction cost, unamortised	-	3,142	3,142
Change in accrued interest cost	1,077	(944)	1,556
Carrying amount as at end of period	**160,635**	**186,058**	**204,058**

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

Repayment schedule for interest-bearing borrowings	30.09.2017	30.09.2016	31.12.2016
Maturity within 3 months	63,500	56,000	26,500
Maturity between 3 and 6 months	12,500	26,500	69,500
Maturity between 6 and 9 months	57,500	69,500	26,500
Maturity between 9 months and 1 year	16,000	26,500	71,500
Maturity between 1 and 2 years	804,000	206,000	193,000
Maturity between 2 and 3 years	84,000	779,500	747,000
Maturity between 3 and 4 years	52,000	52,000	52,000
Maturity between 4 and 5 years	211,000	52,000	237,000
Maturity beyond 5 years	-	211,000	-
Total contractual amounts	**1,300,500**	**1,479,000**	**1,423,000**

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

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

Covenants

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

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

Note 10 | Income taxes

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

USD thousands	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Withholding tax, ordinary taxation	(242)	(528)	(973)	(1,958)	(2,386)
Tax payable, ordinary taxation	(1,092)	(4,696)	(2,976)	(9,812)	(14,904)
Change in deferred tax, ordinary taxation	(279)	(5,038)	(375)	(7,838)	(7,852)
Total tax expense	**(1,613)**	**(10,262)**	**(4,325)**	**(19,608)**	**(25,141)**
Average tax rate	8%	33%	17%	64%	(65%)

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

Note 11 | Contingencies

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

(All amounts are in USD thousands unless otherwise stated)

Note 12 | Equity & shareholder information

Largest shareholders at 30 September 2017	Holding	% of total
Odfjell Partners Ltd.	142,000,000	71.45%
Deutsche Bank AG	6,450,000	3.25%
J.P.Morgan Chase Bank N.A. London	5,863,322	2.95%
Fidelity Select Portfolios: Energy	4,881,126	2.46%
State Street Bank and Trust Co.	2,761,160	1.39%
J.P.Morgan Chase Bank N.A. London	2,241,772	1.13%
RBC Investor Services Trust	2,000,000	1.01%
State Street Bank and Trust Co.	1,494,067	0.75%
Fidelity Select Portfolios: Energy	1,434,080	0.72%
Eika Norge	1,198,398	0.60%
J.P.Morgan Chase Bank N.A. London	989,322	0.50%
Lieungh, Simen	952,381	0.48%
VPF Nordea Kapital	930,321	0.47%
Skeie Capital Investment AS	750,000	0.38%
VPF Nordea Avkastning	731,449	0.37%
Citybank, N.A.	715,855	0.36%
The Bank of New York Mellon SA/NV	678,923	0.34%
Verdipapirfondet DNB SMB	643,233	0.32%
FSP - Natural Resources	590,700	0.30%
Fidelity Advisor Natural Resources	564,256	0.28%
Total 20 largest shareholders	**177,870,365**	**89.50%**
Other shareholders	20,866,535	10.50%
Total shareholders	**198,736,900**	**100.00%**

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

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

Note 13 | Net financial items

USD thousands	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Interest income	334	-	792	562	819
Interest expense	(16,420)	(14,558)	(49,301)	(44,484)	(61,177)
Other borrowing expenses	(1,639)	(2,371)	(4,826)	(6,308)	(7,877)
Gain/(loss) on interest rate swaps	262	525	222	(660)	660
Net currency gain/(loss)	(3,211)	2,153	(4,757)	(687)	(4,926)
Other financial items	(194)	(647)	(767)	(1,324)	(1,544)
Net financial items	**(20,867)**	**(14,897)**	**(58,638)**	**(52,901)**	**(74,046)**

Note 14 | Related-party transactions

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

The Group had the following material transactions with related parties:

USD thousands	Q3 17	Q3 16	YTD 17	YTD 16	FY 16
Sales of services:					
- Robotic Drilling System AS	-	176	20	176	33
- Deep Sea Metro Ltd. Group	-	7,576	3,770	26,779	30,487
Total	**-**	**7,576**	**3,791**	**26,779**	**30,520**
Operating expenses:					
- Kokstad Holding AS group (related to main share holder)	1,651	1,413	4,814	4,312	6,293
- Robotic Drilling System AS	-	-	-	-	91
Total	**1,651**	**1,413**	**4,814**	**4,312**	**6,384**

At 30 September 2017 the group has no shares in Robotic Drilling System AS. Transactions up until divestment at 31 August 2017 are included in table above.

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

USD thousands	30.09.2017	30.09.2016	31.12.2016
Current receivables:			
- Robotic Drilling System AS (divested 31 August 2017)	-	37	4
- Deep Sea Metro Ltd. Group	-	4,515	1,840
Total	**-**	**4,551**	**1,844**
Current liabilities:			
- Kokstad Holding AS group (related to main share holder)	1,947	-	-
- Robotic Drilling System AS (divested 31 August 2017)		-	65
- Deep Sea Metro Ltd. Group	-	10,250	11,875
Total	**1,947**	**10,250**	**11,940**

Note 15 - Important events occurring after the reporting period

On 20 November 2017, Odfjell Drilling entered into a drilling and well alliance formed by Aker BP. The agreement has a total duration of 5 years plus 5 optional years.

The intent is that the alliance shall plan and execute sanctioned production and exploration drilling activities by using an integrated well delivery model. This means that Odfjell Drilling will drill wells suitable for semi-submersibles for Aker BP, subject Odfjell Drilling's rig availability and that the alliance model is approved in the respective licenses.

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