



## **Odfjell Drilling Ltd.**

**Report for the 3<sup>rd</sup> quarter of 2020**

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

## Key figures for the Group

All figures in USD million

Key figures Odfjell Drilling Ltd. Group	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Operating revenue.....	210	215	574	602	823
EBITDA.....	87	94	250	239	332
EBIT.....	38	47	90	105	147
Net profit (loss).....	19	20	36	30	41
EBITDA margin.....	41%	44%	43%	40%	40%
Total assets.....			2,609	2,650	2,686
Net interest bearing debt.....			1,130	1,278	1,221
Equity.....			1,073	1,040	1,062
Equity ratio.....			41%	39%	40%

## Highlights Q3 2020

### Odfjell Drilling Ltd. Group

- Operating revenue of USD 210 million compared to USD 215 million in Q3 2019.
- EBITDA of USD 87 million compared to USD 94 million in Q3 2019.
- EBITDA margin of 41% compared to an EBITDA margin of 44% in Q3 2019.
- The Group's contract backlog is USD 2.6 billion, whereof USD 1.4 billion is firm backlog. The comparable figure at the end of Q3 2019 was USD 2.1 billion, whereof USD 1.1 billion was firm backlog.

### Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 151 million compared to USD 155 million in Q3 2019.
- EBITDA of USD 76 million compared to USD 81 million in Q3 2019.
- EBITDA margin of 50% compared to an EBITDA margin of 52% in Q3 2019.

### Energy segment (Energy)

- Operating revenue of USD 42 million compared to USD 38 million in Q3 2019.
- EBITDA of USD 5 million compared to USD 6 million in Q3 2019.
- EBITDA margin of 11% compared to an EBITDA margin of 15% in Q3 2019.

### Well Services segment (OWS)

- Operating revenue of USD 24 million compared to USD 29 million in Q3 2019.
- EBITDA of USD 8 million compared to USD 9 million in Q3 2019.
- EBITDA margin of 31% compared to an EBITDA margin of 30% in Q3 2019.

### *Rebranding of Drilling & Technology to Energy*

Odfjell Drilling has in Q3 2020 decided to rebrand the Drilling & Technology segment to Energy. This rebranding to Energy creates opportunities for growth in existing portfolio and new markets within the energy sector and other potential areas. Energy will continue to deliver platform drilling services and projects & engineering, but will also develop growth within new business areas where the strategy is to create a footprint within sustainable energy solutions.

### *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 final contract was entered into on 21 November 2020.

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 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 joined forces with Oceanwind AS in August this year and has per end of Q3 2020 achieved a controlling position in the company.

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.

### *Deepsea Aberdeen secures work for Wintershall and Equinor*

Following the early termination of Deepsea Aberdeen's contract with BP Exploration on 21 September 2020, the drilling unit was simultaneously awarded a contract by Wintershall Dea Norge AS consisting of four firm wells and three optional wells with an expected firm duration of approximately 300 days. The contract is anticipated to commence in February/March 2021. In addition, Wintershall Dea and Odfjell Drilling have entered into a long-term frame agreement for potential future rig needs.

As the Wintershall Dea contract falls within the original BP contract duration, BP shall be entitled to a reduction in termination fee payments while the Deepsea Aberdeen is operating for Wintershall. In total, Odfjell Drilling expects to maintain the same net cash flow as would have been the case with continued operations under the original BP contract.

Additionally, on 5 October 2020, Equinor awarded a letter of intent for the drilling and completion of the Breidablikk project with Deepsea Aberdeen. The final contract was entered into on 21 November 2020. The contract is set to commence during spring 2022 with a scope of fifteen (15) firm wells and an estimated duration of 2.5 years. In addition, there are nine (9) optional wells. The approximate contract value for the firm scope is USD 290 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 will be mutually agreed based on performance and market benchmarks.

#### *Deepsea Stavanger completes the drilling operations in South Africa*

Following the recent announcement by Total of a gas condensate discovery offshore the coast of South Africa, Total has notified that there will be no further drilling scope after the completion of the first well. Deepsea Stavanger is expected to demobilize to Norway shortly after the current well is finalized and secured. Further note that Total will compensate Odfjell Drilling for 180 days in operation, including the current duration of the first well. Please be advised that remaining contract value and expenses will be recognised in full during Q4 2020, except for the demobilization OPEX which will be expensed as occurred.

#### *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 directly 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 6<sup>th</sup> generation harsh environment fleet to 2021/2022.

## Financial review – operations

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

### *Consolidated group financials*

#### **Profit & loss Q3 2020**

Operating revenue for Q3 2020 was USD 210 million (USD 215 million), a decrease of USD 5 million. The decrease in revenue in the MODU and OWS segments from Q3 2019 to Q3 2020 was partly offset by increased revenue in the ENERGY segment.

EBITDA in Q3 2020 was USD 87 million (USD 94 million), a decrease of USD 7 million, mainly due to decreased EBITDA in the MODU segment

The EBITDA margin in Q3 2020 was 41% (44%).

EBIT in Q3 2020 was USD 19 million (USD 20 million), a decrease of USD 1 million.

Net financial expenses in Q3 2020 amounted to USD 18 million (USD 25 million). The decrease in net expenses of USD 7 million from Q3 2019 to Q3 2020 was mainly explained by reduced interest expenses and change in fair value of derivatives, offset by negative change in net currency gains and losses.

In Q3 2020, the tax expense was USD 1 million (USD 1 million).

Net profit in Q3 2020 was USD 19 million (USD 20 million).

#### **Profit & loss YTD 2020**

Operating revenue for YTD 2020 was USD 574 million (USD 602 million), a decrease of USD 28 million, mainly due to decreased revenue in the MODU segment from YTD 2019 to YTD 2020.

EBITDA in YTD 2020 was USD 250 million (USD 239 million), an increase of USD 11 million, mainly due to increased EBITDA in the MODU and OWS segments and reduced corporate cost.

The EBITDA margin in YTD 2020 was 43% (40%).

EBIT in YTD 2020 was USD 90 million (USD 105 million), a decrease of USD 15 million.

Net financial expenses in YTD 2020 amounted to USD 51 million (USD 72 million). The decrease in net expenses of USD 21 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, offset by negative change in net currency gains and losses.

In YTD 2020, the tax expense was USD 3 million (USD 2 million).

Net profit in YTD 2020 was USD 36 million (USD 30 million).

### **Balance sheet**

Total assets as at 30 September 2020 amounted to USD 2,609 million (USD 2,686 million as at 31 December 2019), a decrease of USD 77 million.

Total equity as at 30 September 2020 amounted to USD 1,073 million (USD 1,062 million as at 31 December 2019) an increase of USD 11 million. The equity ratio was 41% as at 30 September 2020 (40% as at 31 December 2019).

Net interest bearing debt as at 30 September 2020 amounted to USD 1,130 million (USD 1,221 million as at 31 December 2019), a decrease of USD 91 million.

### **Cash flow Q3 2020**

Net cash flow from operating activities in Q3 2020 was positive with USD 56 million (USD 27 million). The Group paid USD 14 million (USD 19 million) in interest.

Net cash outflow from investing activities in Q3 2020 was USD 23 million (USD 39 million), mainly due to purchase of fixed assets.

Net cash outflow from financing activities in Q3 2020 was USD 41 million (USD 31 million). The Group paid USD 39 million (27 million) in instalments on credit facilities and leases in Q3 2020.

### **Cash flow YTD 2020**

Net cash flow from operating activities in YTD 2020 was positive with USD 188 million (USD 123 million). The Group paid USD 51 million (USD 56 million) in interest related to operating activities.

Net cash outflow from investing activities in YTD 2020 was USD 82 million (USD 411 million) mainly due to purchase of fixed assets.

Net cash outflow from financing activities in YTD 2020 was USD 123 million (Cash flow of USD 253 million). The Group paid USD 141 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 September 2020 cash and cash equivalents amounted to USD 149 million. There has been a total negative net change in cash and cash equivalents of USD 21 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	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Operating revenue.....	151	155	412	439	599
EBITDA.....	76	81	214	211	291
EBIT.....	36	41	80	101	138
EBITDA margin.....	50%	52%	52%	48%	49%

Operating revenue for the MODU segment in Q3 2020 was USD 151 million (USD 155 million), a decrease of USD 4 million. The main variation is Deepsea Bergen with a decrease of USD 19 million, as the rig has been in cold lay up during Q3, preparing for recycling. The negative variation is partly offset by strong performance in the MODU fleet.

EBITDA for the MODU segment in Q3 2020 was USD 76 million (USD 81 million), a decrease of USD 5 million. The change in EBITDA is due to a decrease in EBITDA for Deepsea Bergen due to the cold lay up and Deepsea Aberdeen related to severance payments to UK crew as the rig has been moved to Norway. Higher EBITDA for Deepsea Atlantic, Deepsea Nordkapp and Deepsea Stavanger partly offsets the reduction.

EBIT for the MODU segment in Q3 2020 was USD 36 million (USD 41 million), a decrease of USD 5 million, mainly due to lower EBIT for Deepsea Bergen.

Operating revenue for the MODU segment YTD 2020 was USD 412 million (USD 439 million), a decrease of USD 27 million. The main variation is Deepsea Stavanger with a decrease of USD 54 million as 2019 revenue included recognised revenue for the Total drilling program in South Africa and Deepsea Bergen with a decrease of 32 million due to cold lay up. Increased revenue of USD 45 million from Deepsea Nordkapp and USD 20 million from Deepsea Atlantic partly offsets the decrease.

EBITDA for the MODU segment in YTD 2020 was USD 214 million (USD 211 million), an increase of USD 3 million. This is explained by a higher EBITDA for Deepsea Nordkapp of USD 25 million and Deepsea Atlantic of USD 18 million, partly offset by lower EBITDA for Deepsea Stavanger of MUSD 16 million, Deepsea Aberdeen of MUSD 14 million and Deepsea Bergen of USD 10 million.

EBIT for the MODU segment in YTD 2020 was USD 80 million (USD 101 million), a decrease of USD 21 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	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Deepsea Stavanger.....	99.5 %	98.6 %	98.9 %	98.6 %	98.7 %
Deepsea Atlantic.....	99.8 %	98.8 %	99.1 %	98.1 %	97.8 %
Deepsea Bergen.....	n/a	99.9 %	92.7 %	99.3 %	97.3 %
Deepsea Aberdeen.....	96.5 %	96.8 %	89.5 %	97.6 %	97.2 %
Deepsea Nordkapp .....	99.4 %	99.4 %	99.0 %	99.2 %	98.0 %

- Deepsea Stavanger started its mobilization to South Africa on 2 July 2020 and commenced drilling operations on 23 August 2020.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q3 2020.
- Deepsea Bergen finalized its last contract on 23 March 2020. The unit is decided to be recycled.
- Deepsea Aberdeen was relocated to CCB (Norway) in September after completion of the drilling campaign with BP. The unit currently prepares for operations with Wintershall to commence in Q1 2021.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q3 2020.

## Energy

All figures in USD million

Key figures Energy segment	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Operating revenue.....	42	38	110	109	147
EBITDA.....	5	6	12	12	17
EBIT.....	5	6	12	12	17
EBITDA margin.....	11%	15%	11%	11%	12%

Operating revenue for the Energy segment in Q3 2020 was USD 42 million (USD 38 million), an increase of USD 4 million compared to Q3 2019. The increase is attributable to changes in contract portfolio in Platform Drilling, in addition to increased delivery of engineering and execution work during yard stays for the MODU segment.

EBITDA for the Energy segment in Q3 2020 was USD 5 million (USD 6 million), a decrease of USD 1 million compared to same period in 2019. The EBITDA margin for the Energy segment in Q3 2020 was 11% (15%). The decrease is explained by lower financial performance in Platform Drilling due to less platforms in operations and reduced potential for incentive payments.

EBIT for the Energy segment Q3 2020 was USD 5 million (USD 6 million), a decrease of USD 1 million.

Operating revenue for the Energy segment in YTD 2020 was USD 110 million (USD 109 million), an increase of USD 1 million compared to YTD 2019.

EBITDA for the Energy segment in YTD 2020 was USD 12 million (USD 12 million), no change compared to same period in 2019. The EBITDA margin for the Energy segment in YTD 2020 was 11% (11%).

EBIT for the Energy segment YTD 2020 was USD 12 million (USD 12 million).

All changes in YTD figures are reflective of changes mentioned above.



## Well Services

All figures in USD million

Key figures Well Services segment	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Operating revenue.....	24	29	76	81	111
EBITDA.....	8	9	23	21	32
EBIT.....	1	3	5	4	9
EBITDA margin.....	31%	30%	31%	26%	29%

Operating revenue for the OWS segment in Q3 2020 was USD 24 million (USD 29 million), a decrease of USD 5 million. Whilst Norway has seen a marginal increase this is offset by the reduction in activity across Europe and the Middle East, Asia and Africa regions (MEAA region) mainly due to the impact of COVID-19 restrictions and delays.

EBITDA for the OWS segment in Q3 2020 was USD 8 million (USD 9 million), a decrease of USD 1 million. EBITDA margin for the OWS segment in Q3 2020 was 31% (30%). Profitability in Norway has improved due to a new product line and higher activity, and although the European and MEAA regions' profitability was impacted by the lower activity, the implementation of cost saving measures helped to maintain the EBITDA margin.

EBIT for the OWS segment in Q3 2020 was USD 1 million (USD 3 million).

Operating revenue for the OWS segment in YTD 2020 was USD 76 million (USD 81 million), a decrease of USD 5 million, for the same reasons as explained above.

EBITDA for the OWS segment in YTD 2020 was USD 23 million (USD 21 million), an increase of USD 2 million. EBITDA margin for the OWS segment in YTD 2020 was 31% (26%). The Norwegian market has seen a significant improvement compared to the same period last year, which results in an increased profitability despite the negative COVID-19 impacts elsewhere in the segment.

EBIT for the OWS segment in YTD 2020 was USD 5 million (USD 4 million).

## Environmental, social and governance (ESG)

Odfjell Drilling has taken an active part in reducing its carbon footprint and has an overall strategy to become a zero emission drilling company. By focusing on energy optimization of operational procedures, crew awareness and fuel saving battery-hybrid technology, Odfjell Drilling has already made significant reduction of its emissions.

The company is currently evaluating further steps to 100% electrify our drilling units such as green onshore power and offshore wind. The latter example is supported by our investment and initiative in Oceanwind AS.

Odfjell Drilling has furthermore been admitted to SINTEF's LowEmission Research Centre as the only drilling contractor. The Centre will develop new technologies and concepts for offshore energy systems, energy efficiency and integration with renewable power production technologies for application on the

Norwegian Continental Shelf. Members consist of operators, vendor/service companies and academic research- and development institutions.

## 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, our Group has been successful in adding more backlog in these challenging times due to our operational track record, strong client relationships combined with a healthy financial balance sheet. We believe such trend will continue as the Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS.

Deepsea Stavanger commenced drilling operations for Total offshore South Africa on 23 August 2020 and will shortly start the demobilization period to Norway. The rig will after the return recommence the Alliance agreement with Aker BP.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement (MFA) with firm operations to mid Q1 2021. The unit was recently awarded a contract 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.

Following the early termination of Deepsea Aberdeen's contract with BP Exploration on 21 September 2020, the drilling unit was simultaneously awarded a contract by Wintershall Dea Norge AS on the NCS. The Wintershall contract was entered concurrently with the BP termination and as a condition for the effectiveness of the termination. In addition, the rig has been awarded a long term contract for production drilling at the Breidablikk field for Equinor after the completion of the Wintershall operations expected to be during spring 2022.

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. We have observed an increase in operational activity in the Norwegian market, and expect in the short to medium term to face an overall increase in activity level for OWS.

Lastly, the Energy segment 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 services to face reduced activity as maintenance and upgrade projects are expected to be put on hold due to the current economic climate.

## **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 2020	FY 2019
Lost time incident frequency (as per 1 million working hours).....	1.9	1.4
Total recordable incident frequency (as per 1 million working hours).....	3.8	3.2
Sick leave (percentage).....	2.7	2.8
Dropped objects frequency (as per 1 million working hours).....	4.3	2.5
Number of employees.....	2 684	2 579

Aberdeen, United Kingdom  
25 November 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*

*Earnings before interest, taxes, depreciation and appreciation*

### *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**

Odfjell Drilling Ltd.

Condensed Consolidated  
Financial Statements

3<sup>rd</sup> quarter of 2020

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Condensed Consolidated Income Statement

USD thousands	Note	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
<b>Operating revenue</b>	2,3	<b>210,371</b>	<b>214,690</b>	<b>574,319</b>	<b>602,498</b>	<b>823,195</b>
Other gains and losses		169	479	1,015	758	1,312
Personnel expenses		(89,826)	(85,754)	(228,595)	(238,173)	(328,353)
Other operating expenses		(33,700)	(35,232)	(96,961)	(126,040)	(164,395)
<b>EBITDA</b>		<b>87,014</b>	<b>94,183</b>	<b>249,777</b>	<b>239,043</b>	<b>331,759</b>
Depreciation, amortisation and impairment	5,6,7	(48,665)	(47,427)	(160,012)	(134,268)	(185,192)
<b>Operating profit (EBIT)</b>		<b>38,349</b>	<b>46,757</b>	<b>89,766</b>	<b>104,775</b>	<b>146,567</b>
Net financial items	14	(18,371)	(25,210)	(50,772)	(72,113)	(102,762)
<b>Profit/(loss) before taxes</b>		<b>19,978</b>	<b>21,546</b>	<b>38,994</b>	<b>32,662</b>	<b>43,805</b>
Income taxes		(816)	(1,068)	(3,354)	(2,371)	(2,984)
<b>Profit/(loss)</b>		<b>19,161</b>	<b>20,478</b>	<b>35,640</b>	<b>30,292</b>	<b>40,820</b>
Profit/(loss) attributable to:						
Non-controlling interests		-	-	-	-	-
Owners of the parent		19,161	20,478	35,640	30,292	40,820
<b>Earnings per share (USD)</b>						
Basic earnings per share	10	0.07	0.08	0.12	0.10	0.17
Diluted earnings per share	10	0.07	0.08	0.12	0.10	0.17

### Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
<b>Profit/(loss) for the period</b>		<b>19,161</b>	<b>20,478</b>	<b>35,640</b>	<b>30,292</b>	<b>40,820</b>
<b>Other comprehensive income:</b>						
Items that will not be reclassified to profit or loss:						
Actuarial gain / (loss) on post employment benefit obligations		(175)	(4,124)	(2,886)	(4,124)	(304)
Items that are or may be reclassified to profit or loss:						
Cash flow hedges		287	(471)	(13,618)	(820)	1,124
Currency translation differences		4,678	(10,704)	(7,742)	(7,549)	446
<b>Other comprehensive income, net of taxes</b>		<b>4,790</b>	<b>(15,300)</b>	<b>(24,246)</b>	<b>(12,494)</b>	<b>1,265</b>
<b>Total comprehensive income</b>		<b>23,952</b>	<b>5,179</b>	<b>11,394</b>	<b>17,798</b>	<b>42,085</b>
Total comprehensive income attributable to:						
Non-controlling interests		-	-	-	-	-
Owners of the parent		23,952	5,179	11,394	17,798	42,085

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.09.2020	30.09.2019	31.12.2019
<b>Assets</b>				
Deferred tax asset		754	2,483	777
Intangible assets	5	26,563	27,509	29,678
Property, plant and equipment	6,7	2,206,283	2,297,950	2,280,867
Financial non-current assets	4	2,478	116	1,726
<b>Total non-current assets</b>		<b>2,236,078</b>	<b>2,328,058</b>	<b>2,313,048</b>
Trade receivables		153,913	164,065	174,158
Contract assets		9,171	7,976	9,392
Other current assets	4	61,379	18,688	20,104
Cash and cash equivalents		148,603	131,338	169,694
<b>Total current assets</b>		<b>373,066</b>	<b>322,067</b>	<b>373,348</b>
<b>Total assets</b>		<b>2,609,144</b>	<b>2,650,126</b>	<b>2,686,396</b>
<b>Equity and liabilities</b>				
Paid-in capital	13	564,959	564,959	564,959
Other equity		507,192	474,993	497,419
<b>Equity attributable to owners of the parent</b>		<b>1,072,151</b>	<b>1,039,952</b>	<b>1,062,378</b>
Non-controlling interests		549	-	-
<b>Total equity</b>		<b>1,072,700</b>	<b>1,039,952</b>	<b>1,062,378</b>
Non-current interest-bearing borrowings	11	1,094,799	1,204,191	1,173,882
Non-current lease liabilities	7	34,419	34,362	38,901
Post-employment benefits		6,254	12,931	7,725
Non-current contract liabilities		2,941	1,248	1,559
Other non-current liabilities	4	15,632	6,415	9,663
<b>Total non-current liabilities</b>		<b>1,154,046</b>	<b>1,259,147</b>	<b>1,231,730</b>
Current interest-bearing borrowings	11	183,640	205,366	216,581
Current lease liabilities	7	6,904	6,690	7,757
Contract liabilities		83,370	15,044	39,265
Trade payables		41,000	46,680	46,168
Other current liabilities	4	67,485	77,246	82,517
<b>Total current liabilities</b>		<b>382,399</b>	<b>351,027</b>	<b>392,288</b>
<b>Total liabilities</b>		<b>1,536,444</b>	<b>1,610,174</b>	<b>1,624,018</b>
<b>Total equity and liabilities</b>		<b>2,609,144</b>	<b>2,650,126</b>	<b>2,686,396</b>

Unaudited



**Odfjell Drilling Ltd.**

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

**Condensed Consolidated Statement of Changes in Equity**

USD thousands	Paid-in capital	Other equity	Attributable to owners of the parent	Attributable to common shares	Attributable to preference shares	Non-controlling interests	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	-	30,292	30,292	24,517	5,775	-	30,292
Other comprehensive income for the period	-	(12,494)	(12,494)	(12,494)	-	-	(12,494)
Total comprehensive income for the period	-	17,798	17,798	12,024	5,775	-	17,798
Dividend to preference share holders	-	(1,914)	(1,914)	-	(1,914)	-	(1,914)
Cost of Share-option plan	-	395	395	395	-	-	395
Transactions with owners	-	(1,520)	(1,520)	395	(1,914)	-	(1,520)
<b>Balance at 30 September 2019</b>	<b>564,959</b>	<b>474,993</b>	<b>1,039,952</b>	<b>958,883</b>	<b>81,069</b>	<b>-</b>	<b>1,039,952</b>
Total comprehensive income for the period Q4	-	24,287	24,287	22,244	2,043	-	24,287
Transactions with owners for the period Q4	-	(1,861)	(1,861)	133	(1,994)	-	(1,861)
							-
<b>Balance at 31 December 2019</b>	<b>564,959</b>	<b>497,419</b>	<b>1,062,378</b>	<b>981,260</b>	<b>81,118</b>	<b>-</b>	<b>1,062,378</b>
Profit/(loss) for the period	-	35,640	35,640	29,516	6,123	-	35,640
Other comprehensive income for the period	-	(24,246)	(24,246)	(24,246)	-	-	(24,246)
Total comprehensive income for the period	-	11,394	11,394	5,270	6,123	-	11,394
Dividend to preference share holders	-	(2,017)	(2,017)	-	(2,017)	-	(2,017)
Acquisition of a subsidiary	-	-	-	-	-	549	549
Cost of Share-option plan	-	396	396	396	-	-	396
Transactions with owners	-	(1,621)	(1,621)	396	(2,017)	549	(1,072)
<b>Balance at 30 September 2020</b>	<b>564,959</b>	<b>507,192</b>	<b>1,072,151</b>	<b>986,927</b>	<b>85,224</b>	<b>549</b>	<b>1,072,700</b>

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
<b>Cash flows from operating activities:</b>						
Profit/(loss) before tax		19,978	21,546	38,994	32,662	43,805
Adjustment for provisions and other non-cash elements		65,687	71,144	199,246	205,165	281,642
Changes in working capital		(15,136)	(46,663)	3,845	(57,264)	(46,640)
<b>Cash generated from operations</b>		<b>70,528</b>	<b>46,027</b>	<b>242,085</b>	<b>180,563</b>	<b>278,808</b>
Interest paid		(13,853)	(18,603)	(51,166)	(56,292)	(77,940)
Net income tax (paid) / refunded		(870)	(616)	(2,471)	(1,510)	(2,549)
<b>Net cash flow from operating activities</b>		<b>55,806</b>	<b>26,808</b>	<b>188,448</b>	<b>122,761</b>	<b>198,319</b>
<b>Cash flows from investing activities:</b>						
Purchase of property, plant and equipment	5,6	(20,406)	(36,672)	(81,500)	(405,802)	(425,579)
Capitalised interest paid		-	(2,459)	-	(7,027)	(7,027)
Proceeds from sale of property, plant and equipment		144	496	1,621	860	3,345
Other long term receivables		(2,352)	4	(2,351)	48	46
Cash used in obtaining control of subsidiaries		(100)	-	(100)	-	-
Proceeds from financial investments incl. joint ventures		-	(1)	-	968	967
<b>Net cash flow from investing activities</b>		<b>(22,714)</b>	<b>(38,632)</b>	<b>(82,330)</b>	<b>(410,953)</b>	<b>(428,247)</b>
<b>Cash flows from financing activities:</b>						
Net (payments)/proceeds from borrowings financial institutions	11	-	(312)	25,000	770,162	805,162
Repayment of borrowings to financial institutions	11	(39,053)	(27,000)	(141,158)	(510,200)	(564,253)
Repayment of lease liabilities	7	(1,517)	(1,909)	(4,416)	(5,250)	(6,297)
Dividends paid to preference share holders		-	(1,914)	(2,017)	(1,914)	(3,909)
<b>Net cash flow from financing activities</b>		<b>(40,570)</b>	<b>(31,135)</b>	<b>(122,591)</b>	<b>252,798</b>	<b>230,704</b>
Effects of exchange rate changes on cash and cash equivalents		2,574	(4,575)	(4,619)	(8,029)	(5,843)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(4,904)</b>	<b>(47,535)</b>	<b>(21,092)</b>	<b>(43,423)</b>	<b>(5,067)</b>
Cash and cash equivalents at beginning of period		153,507	178,873	169,694	174,761	174,761
<b>Cash and cash equivalents at period end</b>		<b>148,603</b>	<b>131,338</b>	<b>148,603</b>	<b>131,338</b>	<b>169,694</b>

Unaudited

## Note 1 | Accounting Principles

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### General information

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

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

These condensed interim financial statements were approved by the Board of Directors on 25 November 2020 and have not been audited.

### Basis for preparation

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

### Going concern

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

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

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

### Accounting principles

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

### Use of estimates

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

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

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

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

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Note 2 | Segment summary

The Board is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. Mobile Offshore Drilling Units business segment (MODU), Odfjell Energy business segment (Energy) 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.

- **Energy:** Odfjell Drilling has in Q3 2020 decided to rebrand the Drilling & Technology segment to the Energy segment. Within the Energy 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. The Energy segment will also develop growth within new business areas where the strategy is to create a footprint within sustainable energy solutions.

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

USD thousands	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19
External segment revenue	151,066	154,650	40,142	34,302	17,478	22,591	1,685	3,147	210,371	214,690
Inter segment revenue	-	-	2,223	3,381	6,671	6,642	(8,894)	(10,023)	-	-
<b>Total revenue</b>	<b>151,066</b>	<b>154,650</b>	<b>42,365</b>	<b>37,682</b>	<b>24,149</b>	<b>29,233</b>	<b>(7,209)</b>	<b>(6,876)</b>	<b>210,371</b>	<b>214,690</b>
<b>EBITDA</b>	<b>75,792</b>	<b>80,817</b>	<b>4,537</b>	<b>5,821</b>	<b>7,575</b>	<b>8,828</b>	<b>(891)</b>	<b>(1,283)</b>	<b>87,014</b>	<b>94,183</b>
Depreciation and impairment	(39,847)	(39,698)	(25)	(20)	(6,428)	(5,503)	(2,365)	(2,206)	(48,665)	(47,427)
<b>EBIT</b>	<b>35,945</b>	<b>41,119</b>	<b>4,512</b>	<b>5,801</b>	<b>1,147</b>	<b>3,325</b>	<b>(3,255)</b>	<b>(3,489)</b>	<b>38,349</b>	<b>46,757</b>
Net financial items									(18,371)	(25,210)
<b>Profit / (loss) before tax - Consolidated Group</b>									<b>19,978</b>	<b>21,546</b>

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## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Note 2 | Segment summary - cont.

	Mobile Offshore Drilling Units		Energy		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	411,741	438,757	99,538	97,063	57,864	61,487	5,175	5,191	574,319	602,498
Inter segment revenue	-	-	10,915	11,740	18,390	19,162	(29,305)	(30,902)	-	-
<b>Total revenue</b>	<b>411,741</b>	<b>438,757</b>	<b>110,453</b>	<b>108,803</b>	<b>76,254</b>	<b>80,649</b>	<b>(24,129)</b>	<b>(25,711)</b>	<b>574,319</b>	<b>602,498</b>
<b>EBITDA</b>	<b>214,218</b>	<b>211,385</b>	<b>11,706</b>	<b>11,856</b>	<b>23,374</b>	<b>20,849</b>	<b>479</b>	<b>(5,048)</b>	<b>249,777</b>	<b>239,043</b>
Depreciation and impairment	(134,650)	(110,488)	(79)	(59)	(18,634)	(17,186)	(6,649)	(6,535)	(160,012)	(134,268)
<b>EBIT</b>	<b>79,569</b>	<b>100,898</b>	<b>11,627</b>	<b>11,797</b>	<b>4,740</b>	<b>3,663</b>	<b>(6,170)</b>	<b>(11,583)</b>	<b>89,766</b>	<b>104,775</b>
Net financial items									(50,772)	(72,113)
<b>Profit / (loss) before tax - Consolidated Group</b>									<b>38,994</b>	<b>32,662</b>

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

Unaudited

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### Note 3 | Revenue

USD thousands	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Revenue from contracts with customers	203,324	205,138	552,851	579,949	790,312
Other operating revenue	7,047	9,552	21,468	22,549	32,883
<b>Operating revenue</b>	<b>210,371</b>	<b>214,690</b>	<b>574,319</b>	<b>602,498</b>	<b>823,195</b>

#### Disaggregation of revenue

USD thousands	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19
<b>Primary geographical markets</b>										
Norway	78,030	116,293	29,089	24,287	12,972	13,595	(5,033)	(5,995)	115,057	148,180
UK	38,896	38,358	13,277	13,396	2,345	3,357	(750)	(802)	53,768	54,309
Europe - other countries	-	-	-	-	3,042	5,494	-	-	3,042	5,494
Asia	-	-	-	-	3,827	6,507	151	(80)	3,978	6,427
Africa	34,140	-	-	-	1,893	280	(1,577)	-	34,455	280
Other geographical markets	-	-	-	-	71	0	-	-	71	0
<b>Total operating revenue</b>	<b>151,066</b>	<b>154,650</b>	<b>42,365</b>	<b>37,682</b>	<b>24,149</b>	<b>29,233</b>	<b>(7,209)</b>	<b>(6,876)</b>	<b>210,371</b>	<b>214,690</b>

USD thousands	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19	YTD 20	YTD 19
<b>Primary geographical markets</b>										
Norway	270,095	244,444	71,569	69,096	40,482	34,040	(20,307)	(22,975)	361,839	324,605
UK	107,198	125,998	38,885	39,707	6,545	8,067	(2,295)	(2,947)	150,332	170,825
Europe - other countries	-	-	-	-	12,290	17,119	-	-	12,290	17,119
Asia	308	487	-	-	14,435	20,410	50	211	14,793	21,108
Africa	34,140	67,829	-	-	2,310	824	(1,577)	-	34,872	68,652
Other geographical markets	-	-	-	-	193	189	-	-	193	189
<b>Total operating revenue</b>	<b>411,741</b>	<b>438,757</b>	<b>110,453</b>	<b>108,803</b>	<b>76,254</b>	<b>80,649</b>	<b>(24,129)</b>	<b>(25,711)</b>	<b>574,319</b>	<b>602,498</b>

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

Unaudited

## Note 4 | Financial risk management and Financial instruments

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### Financial risk factors

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

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in note 11. The Odfjell Drilling Services Ltd. facility is maturing in November 2021, with then outstanding USD 150 million. In addition, the commercial tranche of the Odfjell Rig III Ltd facility is maturing in November 2021, with then outstanding USD 65 million. In case the commercial tranche is not extended at terms acceptable to the ECA lenders, the ECA tranches of USD 120 million may also fall due in November 2021.

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 directly 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 September 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour.

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

### Credit risk

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

### Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount.

## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

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

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

USD thousands	Level	30.09.2020	30.09.2019	31.12.2019
<b>Financial assets at fair value through profit or loss</b>				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	2	-	-	23
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	-	-	1,606
<b>Debt instruments at amortised cost</b>				
- Other non-current receivables	3	2,478	116	120
- Trade and other current receivables	3	172,447	170,870	187,521
<b>Total financial assets</b>		<b>174,926</b>	<b>170,986</b>	<b>189,270</b>

USD thousands	Level	30.09.2020	30.09.2019	31.12.2019
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	1,527	89	70
- Foreign exchange forward contracts - Other current liabilities	2	43	784	-
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	12,088	820	482
- Foreign exchange forward contracts - Other current liabilities	2	406	-	-
Warrant liabilities - Other non-current liabilities	3	1,980	5,506	9,111
<b>Financial liabilities at amortised cost</b>				
- Other non-current payables		36	-	-
- Non-current lease liabilities	3	34,419	34,362	38,901
- Current lease liabilities	3	6,904	6,690	7,757
- Trade and other payables	3	107,178	122,240	128,092
- Non-current interest-bearing borrowings	3	1,094,799	1,204,191	1,173,882
- Current interest-bearing borrowings	3	183,640	205,366	216,581
<b>Total financial liabilities</b>		<b>1,443,021</b>	<b>1,580,049</b>	<b>1,574,876</b>

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

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

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

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

	30.09.2020	30.09.2019	31.12.2019
Non-current	1,094,799	1,204,191	1,173,882
Current	183,640	205,366	216,581
<b>Total</b>	<b>1,278,439</b>	<b>1,409,557</b>	<b>1,390,462</b>

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

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



## Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements for the interim period ending 30 September 2020

### 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	-	830	830
Aquisition of subsidiary	680	-	680
Amortisation	-	(2,613)	(2,613)
Currency translation differences	(1,341)	(671)	(2,012)
<b>Closing net book amount as at 30 September 2020</b>	<b>17,782</b>	<b>8,781</b>	<b>26,563</b>
Opening net book amount as at 1 January 2019	18,638	11,173	29,811
Additions	-	1,240	1,240
Amortisation	-	(2,328)	(2,328)
Currency translation differences	(805)	(408)	(1,213)
<b>Closing net book amount as at 30 September 2019</b>	<b>17,833</b>	<b>9,676</b>	<b>27,509</b>

Aquisition of subsidiary as at 30 September 2020 relates to USD 1.1 million investment in Oceanwind AS. The Group has a financial interest of about 40%, but Oceanwind is included in consolidated financial statements because the Group has control. Control is achieved because the Group is exposed to variable returns from its involvement with the Oceanwind and has the ability to affect those returns through its power over the entity.

## Note 5 | Intangible assets - cont.

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### 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 September 2020.

The key assumptions used for value-in-use calculations as per Q3 2020 are as follows:

	<b>Mobile Offshore Drilling Units</b>	<b>Drilling &amp; Technology</b>	<b>Well Services</b>
EBITDA margin in prognosis period	14% - 17%	5% - 7%	23% - 34%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	9.2 %	8.8%	9.0%

### 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 10 million in the Drilling & Technology segment. None of the other scenarios indicated any impairment write-down of goodwill as at 30 September 2020.

## Odfjell Drilling Ltd.

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### 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	22,788	46,480	-	14,864	340	2,140	86,612
Disposals	(55)	-	-	(451)	(101)	-	(606)
Depreciation	(99,221)	(35,187)	-	(16,973)	(851)	(5,167)	(157,399)
Currency translation differences	-	-	-	(49)	(67)	(3,076)	(3,191)
<b>Net book amount as at 30 September 2020</b>	<b>1,974,082</b>	<b>117,959</b>	<b>-</b>	<b>71,755</b>	<b>2,679</b>	<b>39,809</b>	<b>2,206,283</b>
Opening net book amount as at 1 January 2019	1,539,951	68,271	246,788	71,238	1,883	-	1,928,132
Effect change in accounting policies	-	-	-	-	-	45,960	45,960
Additions	36,152	33,541	367,583	16,595	1,855	2,187	457,913
Disposals	-	-	-	(215)	-	-	(215)
Depreciation	(76,788)	(33,448)	-	(16,000)	(668)	(5,036)	(131,940)
Reclassification	579,371	35,000	(614,371)	-	-	-	-
Currency translation differences	-	-	-	(34)	(100)	(1,766)	(1,900)
<b>Net book amount as at 30 September 2019</b>	<b>2,078,687</b>	<b>103,364</b>	<b>0</b>	<b>71,584</b>	<b>2,970</b>	<b>41,345</b>	<b>2,297,950</b>
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 September 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	Deepsea	Deepsea	Deepsea
	Atlantic	Stavanger	Aberdeen	Nordkapp
	6G Semi	6G Semi	6G Semi	6G Semi
Weighted Average Cost of Capital (WACC)	10.0%	10.0%	10.0%	10.0%
Firm contract days	669	203	1,520	608
Firm contract day rates (weighted average)	301	371	350	334
Future normalised base case day rates - at full market recovery	435	435	435	435
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		Deepsea	Deepsea	Deepsea	Deepsea
		Atlantic	Stavanger	Aberdeen	Nordkapp
Estimated impairment write-down if:					
- WACC increased by	1 pp	33,000	35,000	43,000	46,000
- WACC increased by	2 pp	62,000	66,000	81,000	87,000
- Day rate level <sup>(*)</sup> decreased by	5%	44,000	55,000	37,000	54,000
- Day rate level <sup>(*)</sup> decreased by	10%	87,000	111,000	74,000	108,000
- Normalised opex level increased by	5%	24,000	25,000	26,000	27,000
- Normalised opex level increased by	10%	48,000	50,000	51,000	53,000
- Financial utilisation in normalised period decreased by	1 pp	10,000	12,000	9,000	12,000
- Financial utilisation in normalised period decreased by	2 pp	20,000	23,000	17,000	24,000
- Financial utilisation in normalised period decreased by	3 pp	30,000	35,000	26,000	36,000

<sup>(\*)</sup> 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	2,141	0	2,141
Depreciation	(4,880)	(287)	(5,167)
Currency translation differences	(3,045)	(31)	(3,077)
<b>Net book amount as at 30 September 2020</b>	<b>39,745</b>	<b>64</b>	<b>39,809</b>

USD thousands	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2019	45,158	802	45,960
Additions	2,179	8	2,187
Depreciation	(4,726)	(309)	(5,036)
Currency translation differences	(1,735)	(32)	(1,766)
<b>Net book amount as at 30 September 2019</b>	<b>40,876</b>	<b>469</b>	<b>41,345</b>

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

### Lease liabilities

USD thousands	30.09.2020	30.09.2019	31.12.2019
Non-current	34,419	34,362	38,901
Current	6,904	6,690	7,757
<b>Total</b>	<b>41,324</b>	<b>41,053</b>	<b>46,659</b>

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

	30.09.2020	30.09.2019	31.12.2019
Carrying amount as at 1 January	38,901	37,814	37,814
<b>Non-cash flows:</b>			
New lease liabilities recognised in the year	2,140	2,187	6,981
Interest expense on lease liabilities	1,788	1,932	2,515
Reclassified to current portion of lease liabilities	(5,729)	(6,096)	(8,139)
Currency exchange differences	(2,681)	(1,475)	(270)
<b>Carrying amount as at end of period</b>	<b>34,419</b>	<b>34,362</b>	<b>38,901</b>

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

	30.09.2020	30.09.2019	31.12.2019
Carrying amount as at 1 January	7,757	7,911	7,911
<b>Cash flows:</b>			
Payments for the principal portion of the lease liability	(4,416)	(5,250)	(6,297)
Payments for the interest portion of the lease liability	(1,716)	(1,792)	(1,950)
<b>Non-cash flows:</b>			
Reclassified from non-current portion of lease liabilities	5,729	6,096	8,139
Currency exchange differences	(450)	(275)	(45)
<b>Carrying amount as at end of period</b>	<b>6,904</b>	<b>6,690</b>	<b>7,757</b>

## Odfjell Drilling Ltd.

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### Note 8 | Commitments

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

USD thousands	30.09.2020	30.09.2019	31.12.2019
Rig investments	17,107	17,791	8,869
Rental and casing equipment, due in 1 year	3,244	8,682	4,619
<b>Total</b>	<b>20,351</b>	<b>26,473</b>	<b>13,488</b>

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

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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 September 2020.

## Odfjell Drilling Ltd.

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### Note 10 | Earnings per share

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

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

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

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

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

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

USD thousands	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Profit/(loss) due to owners of the parent	19,161	20,478	35,640	30,292	40,820
Adjustment for dividends on preference shares	(2,090)	(1,946)	(6,123)	(5,775)	(7,817)
<b>Profit/(loss) for the period due to holders of common shares</b>	<b>17,072</b>	<b>18,532</b>	<b>29,516</b>	<b>24,517</b>	<b>33,003</b>
Adjustment related to warrants and share option plan	-	-	-	-	-
<b>Diluted profit/(loss) for the periode due to the holders of common shares</b>	<b>17,072</b>	<b>18,532</b>	<b>29,516</b>	<b>24,517</b>	<b>33,003</b>
	Q3 20	Q3 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
	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Basic earnings per share	0.07	0.08	0.12	0.10	0.14
Diluted earnings per share	0.07	0.08	0.12	0.10	0.14

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## Odfjell Drilling Ltd.

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### Note 11 | Interest-bearing borrowings

USD thousands	30.09.2020	30.09.2019	31.12.2019
Non-current	1,094,799	1,204,191	1,173,882
Current	183,640	205,366	216,581
<b>Total</b>	<b>1,278,439</b>	<b>1,409,557</b>	<b>1,390,462</b>

Movements in non-current borrowings are analysed as follows:	30.09.2020	30.09.2019	31.12.2019
Carrying amount as at 1 January	1,173,882	311,819	311,819
<b>Cash flows:</b>			
New bank loan	25,000	790,000	825,000
Paid transaction costs related to amendments and new loan	-	(19,838)	(19,838)
<b>Non-cash flows:</b>			
Reclassified from / (to) current borrowings	(107,864)	70,847	4,212
Seller's credit raised	-	43,250	43,250
Change in transaction cost, unamortised	3,781	8,113	9,438
<b>Carrying amount as at end of period</b>	<b>1,094,799</b>	<b>1,204,191</b>	<b>1,173,882</b>

Movements in current borrowings are analysed as follows:	30.09.2020	30.09.2019	31.12.2019
Carrying amount as at 1 January	216,581	782,980	782,980
<b>Cash flows:</b>			
Repayment bank loan	(141,158)	(510,200)	(564,253)
<b>Non-cash flows:</b>			
Reclassified from / (to) non-current borrowings	107,864	(70,847)	(4,212)
Change in transaction cost, unamortised	164	2,018	2,018
Change in accrued interest cost	189	1,416	48
<b>Carrying amount as at end of period</b>	<b>183,640</b>	<b>205,366</b>	<b>216,581</b>

#### Repayment schedule for interest-bearing borrowings

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.

	30.09.2020	30.09.2019	31.12.2019
Maturity within 3 months	67,053	54,053	28,053
Maturity between 3 and 6 months	21,053	28,053	74,053
Maturity between 6 and 9 months	67,053	74,053	39,053
Maturity between 9 months and 1 year	21,053	39,053	67,053
Maturity between 1 and 2 years	465,211	176,211	511,211
Maturity between 2 and 3 years	84,211	465,211	84,211
Maturity between 3 and 4 years	559,214	84,211	263,816
Maturity between 4 and 5 years	-	497,440	332,262
Maturity beyond 5 years	-	-	-
<b>Total contractual amounts</b>	<b>1,284,845</b>	<b>1,418,282</b>	<b>1,399,709</b>

#### The Odfjell Rig III Ltd. facility

The ECA tranches of the facility mature in July 2024, subject that the commercial tranche, which matures in November 2021, has been extended at terms satisfactory to GIEK and Kexim. In the tables above, full repayment of the USD 211 million then outstanding, has been included in November 2021.

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



## Note 11 | Interest-bearing borrowings - cont

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### **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.

### **The Odfjell Rig II Ltd. facility**

The facility was repaid in full in July 2020.

### **Available drawing facilities**

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

### **Covenants**

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

## Odfjell Drilling Ltd.

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### 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 September 2020.

### Note 13 | Equity & shareholder information

	No. of shares	Nominal value	Share capital USD thousands
<b>Listed shares</b>			
Common shares issued as at 30 September 2020	236,783,202	USD 0.01	2,368
<b>Preference shares</b>			
Total issued preference shares as at 30 September 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 September 2020	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,476,191	60.17%
The Bank of New York Mellon SA/NV	Nominee	9,325,205	3.94%
J.P.Morgan Chase Bank N.A. London	Nominee	3,992,224	1.69%
Skandinaviska Enskilda Banken AB	Nominee	3,491,400	1.47%
J.P.Morgan Securities PLC	Nominee	3,165,456	1.34%
Brown Brothers Harriman & Co.	Nominee	2,870,582	1.21%
J.P.Morgan Securities PLC	Ordinary	2,279,157	0.96%
The Bank of New York Mellon SA/NV	Nominee	2,101,532	0.89%
BNP Paribas Securities Services	Nominee	2,039,255	0.86%
J.P.Morgan Securities LLC	Nominee	1,917,270	0.81%
J.P.Morgan Securities PLC	Nominee	1,891,319	0.80%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,835,680	0.78%
State Street Bank and Trust Co.	Nominee	1,786,071	0.75%
Goldman Sachs International	Nominee	1,359,623	0.57%
J.P.Morgan Chase Bank N.A. London	Nominee	1,253,464	0.53%
State Street Bank and Trust Co.	Nominee	1,204,247	0.51%
Brown Brothers Harriman & Co.	Nominee	1,148,400	0.49%
Nordnet Livsforsikring AS	Ordinary	1,109,429	0.47%
Brown Brothers Harriman & Co.	Nominee	1,052,556	0.44%
<b>Total 20 largest common shareholders</b>		<b>188,136,061</b>	<b>79.45%</b>
Other common shareholders		48,647,141	20.55%
<b>Total common shareholders</b>		<b>236,783,202</b>	<b>100.00%</b>

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## Odfjell Drilling Ltd.

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### Note 14 | Net financial items

USD thousands	Note	Q3 20	Q3 19	YTD 20	YTD 19	FY 19
Interest income		67	362	657	1,858	2,661
Interest expense lease liabilities	7	(610)	(629)	(1,788)	(1,932)	(2,515)
Other interest expenses		(14,504)	(21,684)	(50,429)	(65,070)	(85,702)
Other borrowing expenses		(1,349)	(1,227)	(3,945)	(10,131)	(11,456)
Capitalised borrowing costs		-	-	-	7,914	7,914
Change in fair value of derivatives <sup>(*)</sup>		868	(6,678)	5,608	(6,978)	(9,757)
Dividend / gain other financial investments		-	(1)	-	968	967
Net currency gain/(loss)		(2,299)	4,824	(134)	2,055	(3,712)
Other financial items		(545)	(178)	(740)	(797)	(1,161)
<b>Net financial items</b>		<b>(18,371)</b>	<b>(25,210)</b>	<b>(50,772)</b>	<b>(72,113)</b>	<b>(102,762)</b>

<sup>(\*)</sup> 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 September 2020.

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

Simen Lieungh (CEO, Odfjell Drilling AS) controls 476,190 (0.20%) of the common shares in the company as per 30 September 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 September 2020 is USD 34 million, while payments in Q3 2020 and YTD 2020 amounts to USD 1 million and USD 4 million respectively.

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

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

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### **Deepsea Aberdeen secures work for Equinor**

On 5 October 2020 Equinor awarded a letter of intent for the drilling and completion of the Breidablikk project with Deepsea Aberdeen. The final contract was entered into on 21 November 2020. The contract is set to commence during spring 2022 with a scope of fifteen (15) firm wells and an estimated duration of 2.5 years. In addition, there are nine (9) optional wells. The approximate contract value for the firm scope is USD 290 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 will be mutually agreed based on performance and market benchmarks.

### **Deepsea Stavanger completes the drilling operations in South Africa**

Following the recent announcement by Total of a gas condensate discovery offshore the coast of South Africa, Total has notified that there will be no further drilling scope after the completion of the first well. Deepsea Stavanger is expected to demobilize to Norway shortly after the current well is finalized and secured. Further note that Total will compensate Odfjell Drilling for 180 days in operation, including the current duration of the first well. Please be advised that remaining contract value and expenses will be recognised in full during Q4 2020, except for the demobilization OPEX which will be expensed as occurred.

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