Odfjell Drilling Ltd.

Report for the 4th quarter of 2017 and preliminary results for the financial year ended 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	Q4 17	Q4 16	FY 17	FY 16
Operating revenue……	171	149	662	657
EBITDA……	67	78	274	285
EBIT……	27	(48)	112	34
Net profit (loss)……	14	(75)	35	(64)
EBITDA margin……	39%	53%	41%	43%
Total assets……			2,138	2,264
Net interest bearing debt……			1,068	1,231
Equity……			767	722
Equity ratio……			36%	32%

Highlights Q4 2017

Odfjell Drilling Ltd. Group

- Operating revenue of USD 171 million compared to USD 149 million in Q4 2016.
- EBITDA of USD 67 million compared to USD 78 million in Q4 2016.
- EBITDA margin of 39% compared to an EBITDA margin of 53% in Q4 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 Q4 2016 was USD 2.8 billion, whereof USD 1.6 billion was firm backlog.

Mobile Offshore Drilling Units segment

- Operating revenue of USD 118 million compared to USD 108 million in Q4 2016.
- EBITDA of USD 58 million compared to USD 69 million in Q4 2016.
- EBITDA margin of 49% compared to 64% in Q4 2016.

Drilling & Technology segment

- Operating revenue of USD 32 million compared to USD 21 million in Q4 2016.
- EBITDA of USD 3 million is the same as in Q4 2016.
- EBITDA margin of 11% compared to an EBITDA margin of 14% in Q4 2016.

Well Services segment

- Operating revenue of USD 27 million compared to USD 24 million in Q4 2016.
- EBITDA of USD 9 million compared to USD 11 in Q4 2016.
- EBITDA margin of 32% compared to 44% in Q4 2016.

Odfjell Drilling entered into an alliance with Aker BP

On 21 November 2017, Odfjell Drilling entered into a drilling and well alliance agreement with 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.

On 22 December 2017, Odfjell Drilling received the first call-off under the alliance with Aker BP. The call-off covers a 12 month contract for Deepsea Stavanger and will start as soon as the unit returns to Norway after completing its contract with Total in South Africa - expected to be in Q2 2019.

Statoil exercised Deepsea Bergen options

Statoil exercised, in December 2017 and January 2018 respectively, two of four options in Deepsea Bergen's drilling contract. The first option is for 2 wells with an expected duration of 80 days and the second option is for 3 wells with an expected duration of 75 days, taking operations into the mid second half of 2018.

Well Services awarded contract with Kuwait Oil Company

Well Services was awarded a contract with Kuwait Oil Company (KOC) in January 2018 to provide tubular running services, downhole drilling tools, drill pipe, pressure control and wellbore clean up equipment for all of KOC's drilling and workover operations. Well Services was one of three successful bidders selected to provide these services both onshore and offshore.

The firm duration of the contract is 5 years, based on call-off services. The contract commenced in January 2018.

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q4 2017

Operating revenue for Q4 2017 was USD 171 million (USD 149 million), an increase of USD 22 million, due to increased activity in all segments from Q4 16 to Q4 17.

EBITDA in Q4 2017 was USD 67 million (USD 78 million), a net decrease of USD 11 million. The decrease was mainly due to change in contracts for the Mobile Offshore Drilling Units.

The EBITDA margin in Q4 2017 was 39% (53%). The decreased margin is due to the same reason as explained above.

EBIT in Q4 2017 was USD 27 million (negative USD 48 million), an increase of USD 75 million. The Q4 2016 EBIT was negatively impacted by the impairment write down of USD 80 million.

Net financial expenses in Q4 2017 amounted to USD 15 million compared to USD 21 million in Q4 2016. The decrease of USD 6 million was mainly related to change in net currency gain/losses.

In Q4 2017 there was a tax income of USD 3 million (tax expense of USD 6 million). Tax income in Q4 2017 is mainly related to utilised tax losses resulting from the sale of shares.

Net profit in Q4 2017 was USD 14 million (net loss of USD 75 million).

Profit & loss FY 2017

Operating revenue for FY 2017 was USD 662 million (USD 657 million), an increase of USD 5 million. Operating revenue increased in Mobile Offshore Drilling Units and was partly offset by a reduction in activity in Drilling & Technology and Well Services.

EBITDA FY 2017 was USD 274 million (USD 285 million), a net decrease of USD 11 million. The FY 2016 EBITDA was positively impacted by pension effects of USD 19 million due to a change in the pension scheme for Norwegian employees. The FY 2017 EBITDA was positively impacted by the gain from sale of shares in Robotic Drilling Systems AS of USD 9 million.

EBIT FY 2017 was USD 112 million (USD 34 million), an increase of USD 78 million. The FY 2016 EBIT was negatively impacted by the impairment write down of USD 80 million.

Net financial expenses FY 2017 amounted to USD 74 million (USD 74 million).

FY 2017 the tax expense was USD 1 million, compared to USD 25 million FY 2016. The decrease was mainly due to lower taxable profits in Norway and UK, whereof a majority is explained by a tax loss in Norway related to the sale of shares.

Net profit FY 2017 was USD 35 million, compared to a net loss of USD 64 million FY 2016.

Balance sheet

Total assets as at 31 December 2017 amounted to USD 2,138 million compared to USD 2,264 million as at 31 December 2016, a decrease of USD 126 million.

Equity as at 31 December 2017 amounted to USD 767 million, compared to USD 722 million as at 31 December 2016, an increase of USD 45 million.

The equity ratio was 36% as at 31 December 2017, compared to 32% at year-end 2016.

Net interest bearing debt as at 31 December 2017 amounted to USD 1,068 million, compared to USD 1,231 million as at 31 December 2016, a decrease of USD 163 million.

Cash flow

Net cash flow from operating activities in Q4 2017 was positive with USD 53 million. The Group paid USD 17 million in interest and USD 0 million in income taxes.

Net cash outflow from investing activities in Q4 2017 was USD 2 million. Net capital expenditures of USD 8 million were partly offset by proceeds from sale of financial investments of USD 6 million.
USD 61 million was used for instalments on existing credit facilities in Q4 2017.

Net cash flow from operating activities FY 2017 was positive with USD 166 million. FY 2017 the Group paid USD 65 million in interest and USD 15 million in income taxes.

Net cash outflow from investing activities FY 2017 was USD 1 million. Net capital expenditures of USD 27 million were offset by proceeds from sale of financial investments of USD 26 million.

USD 184 million was used for instalments on existing credit facilities FY 2017.

At 31 December 2017 cash and cash equivalents amounted to USD 166 million. There has been a total negative net change in cash and cash equivalents of USD 16 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	Q4 17	Q4 16	FY 17	FY 16
Operating revenue…………………………………………	118	108	481	438
EBITDA………………………………………………………………	58	69	244	226
EBIT…………………………………………………………………	25	(49)	111	10
EBITDA margin…………………………………………………	49%	64%	51%	52%

Operating revenue for the MODU segment in Q4 2017 was USD 118 million (USD 108 million), an increase of USD 10 million, or 9%. There was an increase in utilization for Deepsea Stavanger during the period compared to last year as the rig was idle in Q4 2016. However, this increase in activity was offset by lower revenue for Deepsea Bergen due to lower day rates and waiting period between contracts.

EBITDA for the MODU segment in Q4 2017 was USD 58 million (USD 69 million), a decrease of USD 11 million, or -16%. The increase in EBITDA for Deepsea Stavanger did not fully compensate for the decrease in EBITDA for Deepsea Bergen.

EBIT for the MODU segment in Q4 2017 was USD 25 million (negative USD 49 million), an increase of USD 74 million. The increase in EBIT is related to the impairment write-down of USD 80 million in Q4 2016, partly offset by the change in revenue explained above.

Operating revenue for the MODU segment in 2017 was USD 481 million (USD 438 million), an increase of USD 43 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, Deepsea Atlantic was idle during parts of the 1st half of the year and Deepsea Stavanger was idle for large parts of the year. The increase in revenue and utilization was partly offset by lower revenues and lower utilization for Deepsea Bergen.

EBITDA for the MODU segment in 2017 was USD 244 million (USD 226 million), an increase of USD 18 million, or 8%. The increase in EBITDA relates mainly to the change in revenue as explained above.

EBIT for the MODU segment in 2017 was USD 111 million (USD 10 million), an increase of USD 101 million. The increase in EBIT relates to the impairment write-down of USD 80 million in 2016, in addition to the change in revenue as explained above.

MODU - Financial utilisation

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

Financial Utilisation - MODU	Q4 17	Q4 16	FY 17	FY 16
Deepsea Stavanger	98.6 %	n/a	98.4 %	99.7 %
Deepsea Atlantic	96.4 %	93.0 %	97.6 %	97.3 %
Deepsea Bergen	86.9 %	92.4 %	97.6 %	96.4 %
Deepsea Aberdeen	90.8 %	97.6 %	95.5 %	98.3 %

- Deepsea Stavanger has been operating for Wintershall on the NCS in Q4 2017.
- Deepsea Atlantic has been operating for Statoil on the NCS in Q4 2017.
- Deepsea Bergen has been operating for OMV on the NCS since 27 November 2017. Prior to this the unit was preparing for operations in Q4 2017.
- Deepsea Aberdeen has been operating for BP West of Shetland in Q4 2017.

Drilling & Technology (D&T)

All figures in USD million

Key figures Drilling & Technology segment	Q4 17	Q4 16	FY 17	FY 16
Operating revenue	32	21	105	131
EBITDA	3	3	15	(0)
EBIT	3	3	14	(4)
EBITDA margin	11%	14%	14%	0%

Operating revenue for the D&T segment in Q4 2017 was USD 32 million (USD 21 million), an increase of USD 11 million, or 53 %. The increase in revenue was primarily attributable to award of additional UK contracts and increased number strings in operation compared to Q4 2016.

EBITDA and EBIT for the D&T segment in Q4 2017 was USD 3 million (USD 3 million).

Operating revenue for the D&T segment in 2017 was USD 105 million (USD 131 million), a decrease of USD 26 million, or 20 %. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation and reduced activity for the engineering services for the year in total.

EBITDA for the D&T segment in 2017 was USD 15 million (USD 0 million), an increase of USD 15 million. EBIT for the D&T segment in 2017 was USD 14 million (negative USD 4 million), a positive increase of USD 18 million. The improvement in EBITDA and EBIT is mainly explained by increased operating margins on the platform drilling portfolio and the gain from sale of the shares in Robotic Drilling Systems AS.

Well Services (OWS)

All figures in USD million

Key figures Well Services segment	Q4 17	Q4 16	FY 17	FY 16
Operating revenue	27	24	97	110
EBITDA	9	11	32	43
EBIT	2	3	4	11
EBITDA margin	32%	44%	33%	39%

Operating revenue for the OWS segment in Q4 2017 was USD 27 million (USD 24 million), an increase of USD 3 million, or 13 %. The increase of revenue for the OWS segment in Q4 2017 is explained by higher activity level in the Norwegian and continental Europe markets.

EBITDA for the OWS segment in Q4 2017 was USD 9 million (USD 11 million), a decrease of USD 2 million, or 18%. EBITDA margin for the OWS segment in Q4 2017 was 32% compared to 44% for Q4 2016.

EBIT for the OWS segment in Q4 2017 was USD 2 million (USD 3 million), a decrease of USD 1 million. The decrease in both EBITDA and EBIT was mainly attributable to higher cost primarily driven by cost related to mobilisation of new contracts and increased 3rd party rental of equipment.

Operating revenue for the OWS segment in 2017 was USD 97 million (USD 110 million), a decrease of USD 13 million, or 12 %. The decrease in 2017 revenue is mainly explained by lower activity and price level.

EBITDA for the OWS segment in 2017 was USD 32 million (USD 43 million), a decrease of USD 11 million, or 26%. EBITDA margin for the OWS segment in 2017 was 33% compared to 39% in 2016.

EBIT for the OWS segment in 2017 was USD 4 million (USD 11 million), a decrease of USD 7 million. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenue.

Outlook

Following the drop in the oil price in 2014, the drilling and oil service market has suffered a severe decrease in the total activity level. The downturn has resulted in major impairments across the sector and oil companies have been forced to reduce cost and establish more efficient operations. The efficiency programs carried out by the oil companies have led to a substantial cost reduction in field development and production.

We are currently observing a recovery in the oil price with levels more sound and sustainable for the drilling and oil service market. This, in combination with a more favourable cost structure, has resulted in an increased appetite for exploration and production activities by the oil companies.

Although the global drilling and oil service market is still at a low level, some regions have seemed to recover at a higher pace than others. In harsh environments, a substantial number of mature units have been permanently withdrawn from the market over the last couple of years. In addition, newbuilds have proven to be significantly more efficient than mature units. The ultra-deep water market remains challenging due to an oversupply of new build rigs in recent years.

Based on the preference of new and more efficient units combined with a high reactivation cost, we believe that scrapping of older midwater and harsh environment drilling units will continue over the next few years. In combination with a more healthy market environment, we believe this will bring the harsh environment market back into balance with subsequently improved day rates.

Odfjell Drilling is well positioned in this market with 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 and finalized the well based contract on 22 February 2018. The unit thereafter commenced, on the same date, its contract with Aker BP and will be in operations until the mobilization in Q4 2018 to South Africa for the drilling contract with Total. As earlier announced, Odfjell Drilling has also entered into a 5+5 years alliance with Aker BP with the intent to drill wells, suitable for semi-submersibles, for Aker BP. The first call-off under the alliance was received in December 2017 covering 12 months for Deepsea Stavanger after its return from South Africa, estimated to be mid 2019. 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 operating for OMV on the NCS. The unit will thereafter return to Statoil estimated to be the end of Q1 2018 on a well based contract with several options - all on the NCS - potentially keeping the rig in operation into the second half of 2019.

OWS 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 continues to keep pressure on prices. OWS 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.

Quality, health, safety & environment (QHSE)

Key figures QHSE	FY 2017	FY 2016
Lost time incident frequency (as per 1 million working hours)......	0.3	0.6
Total recordable incident frequency (as per 1 million working hours)......	1.8	1.8
Sick leave (percentage)......	2.7	3.1
Dropped objects frequency (as per 1 million working hours)......	3.1	4.5
Number of employees......	2 211	1 708

Hamilton, Bermuda
27 February 2018

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

4th quarter of 2017 and preliminary results for the financial year ended 2017

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q4 17	Q4 16	FY 17	FY 16
Operating revenue	3	**170 672**	**148 853**	**662 158**	**657 392**
Other gains and losses		1 264	227	11 215	629
Share of profit (loss) from Deep Sea Metro Ltd. Group	3,8	-	-	-	20
Personnel expenses		(66 165)	(38 382)	(260 815)	(232 561)
Other operating expenses		(39 084)	(32 353)	(138 838)	(140 663)
EBITDA		**66 686**	**78 344**	**273 720**	**284 817**
Depreciation, amortisation and impairment	4	(40 136)	(126 747)	(161 436)	(250 722)
Operating profit (EBIT)		**26 550**	**(48 404)**	**112 285**	**34 094**
Share of profit (loss) from other joint ventures	8	(0)	424	(1 485)	1 399
Net financial items	13	(15 473)	(21 145)	(74 111)	(74 046)
Profit/(loss) before tax		**11 077**	**(69 124)**	**36 688**	**(38 553)**
Income taxes	10	2 990	(5 534)	(1 335)	(25 141)
Profit/(loss) for the period		**14 067**	**(74 658)**	**35 353**	**(63 694)**
Earnings per share (USD)					
Basic earnings per share	7	0,07	(0,38)	0,18	(0,32)
Diluted earnings per share	7	0,07	(0,38)	0,18	(0,32)

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Note	Q4 17	Q4 16	FY 17	FY 16
Profit/(loss) for the period		**14 067**	**(74 658)**	**35 353**	**(63 694)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gain / (loss) on post employment benefit obligations		(27)	293	(266)	(4 526)
Total		(27)	293	(266)	(4 526)
Items that are or may be reclassified to profit or loss:					
Cash flow hedges		(126)	142	353	470
Currency translation differences		(3 437)	(7 851)	9 531	(1 689)
Total		(3 563)	(7 710)	9 884	(1 218)
Other comprehensive income for the period, net of tax		**(3 590)**	**(7 417)**	**9 618**	**(5 744)**
Total comprehensive income for the period		**10 477**	**(82 075)**	**44 971**	**(69 438)**

Condensed Consolidated Statement of Financial Position

USD thousands	Note	31.12.2017	31.12.2016
Assets			
Deferred tax asset		3 566	2 498
Intangible assets	4	32 855	33 009
Property, plant and equipment	4	1 782 393	1 912 754
Financial non-current assets	2,8	551	8 739
Total non-current assets		**1 819 365**	**1 957 000**
Spare parts		1 680	1 782
Trade receivables	14	137 438	111 090
Other current assets	2	13 775	12 097
Cash and cash equivalents		165 970	181 623
Total current assets		**318 863**	**306 591**
Total assets		**2 138 228**	**2 263 592**
Equity and liabilities			
Total paid-in capital		328 841	328 841
Other equity		438 216	393 245
Total equity		**767 057**	**722 086**
Non-current interest-bearing borrowings	9	1 076 103	1 208 180
Post-employment benefits		18 084	17 554
Other non-current liabilities	2	5 331	1 623
Total non-current liabilites		**1 099 519**	**1 227 358**
Current interest-bearing borrowings	9	157 472	204 058
Trade payables		35 214	17 233
Other current liabilities	2,14	78 966	92 857
Total current liabilities		**271 652**	**314 148**
Total liabilities		**1 371 171**	**1 541 506**
Total equity and liabilities		**2 138 228**	**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	-	-	-	(63 694)	(63 694)
Other comprehensive income for the period	-	-	(1 218)	(4 526)	(5 744)
Total comprehensive income for the period	-	-	(1 218)	(68 220)	(69 438)
Balance at 31 December 2016	**1 987**	**326 853**	**(114 903)**	**508 148**	**722 086**
Profit/(loss) for the period	-	-	-	35 353	35 353
Other comprehensive income for the period	-	-	9 884	(266)	9 618
Total comprehensive income for the period	-	-	9 884	35 087	44 971
Balance at 31 December 2017	**1 987**	**326 853**	**(105 019)**	**543 235**	**767 057**

Condensed Consolidated Statement of Cash Flows

USD thousands	Q4 17	Q4 16	FY 17	FY 16
Cash flows from operating activities:				
Profit/(loss) before tax	11 077	(69 124)	36 688	(38 553)
Adjustments for:				
Depreciation, amortisation and impairment	40 136	126 747	161 436	250 722
Unrealised (gain)/loss on interest rate swaps	(298)	(1 320)	(520)	(660)
Interest expense - net	15 592	16 436	64 101	60 359
Amortised borrowing cost	1 566	1 290	6 160	7 432
Share of (profit)/loss from joint ventures	-	(424)	1 485	(1 419)
Net (gain)/loss on sale of shares and other financial investments	(176)	-	(9 769)	-
Net (gain)/loss on sale of tangible fixed assets	(1 128)	(172)	(1 496)	(486)
Post-employment benefit expenses less payments	1 013	(1 521)	(656)	(32 873)
Net currency (gain)/loss not related to operating activities	(2 150)	(3 541)	2 136	(4 115)
Changes in working capital:				
Spare parts	244	1 363	157	1 079
Trade receivables	(679)	11 479	(21 392)	58 446
Trade payables	7 963	(2 960)	16 897	(11 177)
Other accruals	(2 776)	(116)	(9 801)	(47 724)
Cash generated from operations	***70 383***	***78 136***	***245 426***	***241 032***
Interest paid	(17 255)	(14 377)	(64 688)	(58 802)
Net income tax (paid) / refunded	(218)	(2 789)	(14 900)	16 443
Net cash flow from operating activities	**52 911**	**60 970**	**165 839**	**198 673**
Cash flows from investing activities:				
Purchase of property, plant and equipment	(9 591)	(5 697)	(29 468)	(31 229)
Proceeds from sale of property, plant and equipment	1 390	283	2 036	1 464
Other long term receivables	(31)	18	64	67
Proceeds from financial investments incl. joint ventures	6 112	-	26 580	7 920
Net cash flow from investing activities	**(2 120)**	**(5 397)**	**(787)**	**(21 778)**
Cash flows from financing activities:				
Net (payments)/proceeds from borrowings financial institutions	-	-	(737)	519 226
Repayments of borrowings to financial institutions	(61 000)	(56 000)	(183 500)	(713 000)
Net cash flow from financing activities	**(61 000)**	**(56 000)**	**(184 237)**	**(193 774)**
Effects of exchange rate changes on cash and cash equivalents	(1 572)	(7 302)	3 533	(3 125)
Net increase (decrease) in cash and cash equivalents	**(11 782)**	**(7 729)**	**(15 653)**	**(20 004)**
Cash and cash equivalents at beginning of period	177 752	189 351	181 623	201 626
Cash and cash equivalents at period end	**165 970**	**181 623**	**165 970**	**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 on 27 February 2018 and have not been audited.

Basis for preparation
These condensed interim financial statements for the twelve months period ended 31 December 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.

As of 1.1.2018 the group will implement IFRS 15 *Revenue from contracts with customers* using a modified retrospective approach for adoption. The implementation will mainly effect the accounting for certain costs incurred in fulfilling a contract and the accounting for lump sum fees for mobilisation and demobilisation.
The implementation will have no effect on the equity as at 31 December 2017.

The group will also implement IFRS 9 *Financial instruments* as of 1.1.2018. The new guidance will not have any significant impact on the classification and measurment of its financial assets.The implementation will have no effect on the equiity as of 31 December 2017.

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 fixed 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.

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%) is approximately USD 10.8 million for FY 2017 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	31.12.2017	31.12.2016
Derivatives held at fair value through profit and loss			
- Other non-current assets	2	318	-
- Other current assets	2	102	-
Derivatives held as hedge instrument			
- Other non-current assets	2	-	235
Total assets		**419**	**235**

Liabilities at	Level	31.12.2017	31.12.2016
Derivatives held at fair value through profit or loss			
- Other non-current liabilities	2	-	101
Derivatives held as hedge instrument			
- Other current liabilities	2	186	774
Total liabilities		**186**	**875**

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:

	31.12.2017	31.12.2016
Non-current	1 076 103	1 208 180
Current	157 472	204 058
Total	**1 233 575**	**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

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.

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

- D&T: Within the 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.

- 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	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
External segment revenue	116 782	107 627	30 114	20 083	20 106	19 377	3 670	1 767	170 672	148 853
Inter segment revenue	819	528	2 312	1 045	6 976	4 534	(10 107)	(6 107)	-	-
Total revenue	**117 601**	**108 155**	**32 426**	**21 128**	**27 082**	**23 910**	**(6 437)**	**(4 340)**	**170 672**	**148 853**
EBITDA	**58 046**	**68 849**	**3 490**	**3 020**	**8 561**	**10 504**	**(3 411)**	**(4 030)**	**66 686**	**78 344**
Depreciation and impairment	(33 315)	(118 340)	(236)	(379)	(6 556)	(7 689)	(28)	(339)	(40 136)	(126 747)
EBIT	**24 731**	**(49 491)**	**3 254**	**2 641**	**2 005**	**2 815**	**(3 440)**	**(4 369)**	**26 550**	**(48 404)**

Note 3 | Segment summary - cont.

	Mobile Offshore Drilling Units		Drilling & Technology		Well Services		Corporate / Eliminations		Consolidated	
	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16	FY 17	FY 16
External segment revenue	478 443	433 756	97 798	124 273	74 764	87 530	11 152	11 833	662 158	657 392
Inter segment revenue	2 605	4 149	7 651	7 056	22 101	22 574	(32 356)	(33 779)	-	-
Total revenue	**481 047**	**437 905**	**105 449**	**131 329**	**96 865**	**110 103**	**(21 204)**	**(21 946)**	**662 158**	**657 392**
EBITDA	**243 736**	**226 399**	**15 019**	**(24)**	**31 606**	**43 145**	**(16 642)**	**15 296**	**273 720**	**284 817**
Depreciation and impairment	(132 243)	(216 285)	(912)	(4 061)	(27 972)	(32 303)	(309)	1 927	(161 436)	(250 722)
EBIT	**111 493**	**10 113**	**14 107**	**(4 085)**	**3 634**	**10 842**	**(16 951)**	**17 223**	**112 285**	**34 094**

Reconciliation:

	Q4 17	Q4 16	FY 17	FY 16
EBIT for reportable segments	**29 990**	**(44 034)**	**129 235**	**16 871**
Corporate / Eliminations	(3 765)	(4 442)	(19 172)	(14 787)
Share of profit from DSM Ltd. Group	-	-	-	20
Accounting differences	326	73	2 222	31 990
EBIT - Consolidated Group	**26 550**	**(48 404)**	**112 285**	**34 094**
Share of profit (loss) from other joint ventures	(0)	424	(1 485)	1 399
Net financial items	(15 473)	(21 145)	(74 111)	(74 046)
Profit / (loss) before tax - Consolidated Group	**11 077**	**(69 124)**	**36 688**	**(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	17 017	6 466	4 672	247	28 401
Disposals	0	(0)	(466)	(74)	(539)
Depreciation	(87 863)	(42 672)	(26 926)	(1 100)	(158 561)
Impairment / (reversal of impairment)	-	-	-	-	-
Currency translation differences	-	183	84	71	338
Closing net book amount as at 31 December 2017	**1 610 118**	**88 869**	**82 392**	**1 015**	**1 782 393**
Restated net book amount as at 1 January 2016	1 841 007	158 235	128 578	3 544	2 131 364
Additions	11 214	10 585	8 243	115	30 157
Disposals	(425)	-	(533)	(20)	(979)
Depreciation and amortisation	(91 107)	(43 929)	(31 343)	(1 701)	(168 079)
Impairment	(80 000)	-	-	-	(80 000)
Currency translation differences	277	-	83	(69)	291
Closing net book amount as at 31 December 2016	**1 680 965**	**124 892**	**105 027**	**1 870**	**1 912 754**
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 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 31 December 2017, no impairment has been identified for any of the rigs.

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)	10,4%	10,4%	10,4%	10,1%
Firm contract days	424	853	1 551	209
Firm contract day rates (weighted average)	295	278	433	137
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	-	-
- WACC increased by	2 pp	76 000	79 000	45 000	-
- Day rate level decreased by	5 %	37 000	44 000	-	500
- Day rate level decreased by	10 %	75 000	88 000	16 000	5 000
- Normalised opex level increased by	5 %	20 000	20 000	-	-
- Normalised opex level increased by	10 %	40 000	40 000	-	4 000
- Financial utilisation in normalised period decreased by	1 pp	8 000	10 000	-	-
- Financial utilisation in normalised period decreased by	2 pp	16 000	20 000	-	-
- Financial utilisation in normalised period decreased by	3 pp	24 000	31 000	-	500

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	-	1 067	1 067
Amortisation	-	(2 875)	(2 875)
Currency translation differences	950	704	1 654
Closing net book amount as at 31 December 2017	**19 736**	**13 119**	**32 855**
Opening net book amount as at 1 January 2016	18 383	15 417	33 800
Additions	-	1 072	1 072
Amortisation	-	(2 643)	(2 643)
Currency translation differences	403	377	780
Closing net book amount as at 31 December 2016	**18 786**	**14 223**	**33 009**

Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. During 2017, as part of the reorganisation of the Group, goodwill of USD 3 million was reallocated from the Drilling & Technology segment to the Mobile Offshore Drilling Units segment. 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 2018 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 31.12.2017.

The key assumptions used for value-in-use calculations as per Q4 2017 are as follows:

	Mobile Offshore Drilling Units	Drilling & Technology	Well Services
EBITDA margin in prognosis period	11% - 15%	4% - 6%	33% - 43%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital (WACC)	8,6 %	7,4%	8,0%

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 five percentage points indicated an impairment write-down of USD 7 million, while reducing EBITDA margin by ten percentage points indicated an impairment write-down of USD 12 million. None of the other scenarios indicated any impairment write-down of goodwill as at 31.12.2017.

Note 5 | Commitments

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

USD thousands	31.12.2017	31.12.2016
Rig investments	4 674	16 310
Rental and casing equipment, due in 1 year	2 814	1 953
Total	**7 489**	**18 263**

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 31 December 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 31 December 2017. Comparative figures (EPS) are presented retrospectively based on the number of issued shares as at 31 December 2017.

Note 8 | Financial non-current assets

USD thousands	31.12.2017	31.12.2016
Investment in joint ventures	-	8 217
Investment in financial instruments	318	235
Other long term receivables	233	287
Total financial non-current assets	**551**	**8 739**

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

USD thousands	31.12.2017	31.12.2016
Opening net book amount as at beginning of the period	-	7 900
Repayment of capital	-	(7 920)
Divestments during the year	-	-
Share of profits classified as operating	-	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.

In December 2017 Deep Sea Metro Ltd. purchased Odfjell Drilling's shares in the company, thereby terminating Odfjell Drilling's ownership in Deep Sea Metro Ltd.

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

USD thousands	31.12.2017	31.12.2016
Opening net book amount as at beginning of the period	8 217	6 519
Divestments during the year	(8 755)	-
Share of profits classified as financial	(1 485)	1 399
Currency translation differences	2 024	299
Closing net book amount as at end of period	**-**	**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 million. The transaction generated a gain of USD 9 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 31.12.2016 and 31.12.2017.

Note 9 | Interest-bearing borrowings

USD thousands	31.12.2017	31.12.2016
Non-current	1 076 103	1 208 180
Current	157 472	204 058
Total	**1 233 575**	**1 412 239**

Movements in non-current borrowings are analysed as follows:	31.12.2017	31.12.2016
Carrying amount as at 1 January	1 208 180	878 664
Cash flows:		
New bank loan raised	-	525 000
Paid transaction costs related to amendments and new bank loan	(737)	(5 774)
Non-cash flows:		
Reclassified to current portion of non current borrowings	(137 500)	(194 000)
Change in transaction cost, unamortised	6 160	4 290
Carrying amount as at end of period	**1 076 103**	**1 208 180**

Movements in current borrowings are analysed as follows:	31.12.2017	31.12.2016
Carrying amount as at 1 January	204 058	718 360
Cash flows:		
Repayment bank loan	(183 500)	(713 000)
Non-cash flows:		
Reclassified to current portion of non current borrowings	137 500	194 000
Change in transaction cost, unamortised	-	3 142
Change in accrued interest cost	(586)	1 556
Carrying amount as at end of period	**157 472**	**204 058**

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

Repayment schedule for interest-bearing borrowings	31.12.2017	31.12.2016
Maturity within 3 months	12 500	26 500
Maturity between 3 and 6 months	57 500	69 500
Maturity between 6 and 9 months	16 000	26 500
Maturity between 9 months and 1 year	62 000	71 500
Maturity between 1 and 2 years	775 000	193 000
Maturity between 2 and 3 years	79 500	747 000
Maturity between 3 and 4 years	237 000	52 000
Maturity between 4 and 5 years	-	237 000
Maturity beyond 5 years	-	-
Total contractual amounts	**1 239 500**	**1 423 000**

The group has no available undrawn facilities as per 31 December 2017.

Covenants

The debt service coverage ratio covenant in Odfjell Drilling Services Ltd has been waived from 31 December 2017 until and including the compliance reporting for the quarter ending 31 December 2018. During the same period, the minimum liquidity requirement of the Odfjell Drilling Services Ltd group is raised from USD 25 million to USD 35 million.

The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2017.

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	Q4 17	Q4 16	FY 17	FY 16
Withholding tax, ordinary taxation	(361)	(428)	(1 334)	(2 386)
Tax payable, ordinary taxation	2 077	(5 092)	(900)	(14 904)
Change in deferred tax, ordinary taxation	1 274	(14)	899	(7 852)
Total tax expense	**2 990**	**(5 534)**	**(1 335)**	**(25 141)**
Average tax rate	(27%)	(8%)	4%	(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.

Change in the average tax rate from 2016 to 2017 is mainly affected by the impairment write down in 2016 of assets in companies located in jurisdictions with tax exemptions. An additional affect is related to a tax loss in Norway

Note 11 | Contingencies

There are no material contingencies to be disclosed as per 31 December 2017.

Note 12 | Equity & shareholder information

Largest shareholders at 31 December 2017	Holding	% of total
Odfjell Partners Ltd.	142 000 000	71,45 %
Deutsche Bank AG	6 491 040	3,27 %
J.P.Morgan Chase Bank N.A. London	5 863 322	2,95 %
State Street Bank and Trust Co.	3 065 655	1,54 %
Fidelity Select Portfolios: Energy	2 880 900	1,45 %
RBC Investor Services Trust	2 000 000	1,01 %
State Street Bank and Trust Co.	1 520 106	0,76 %
Fidelity Select Portfolios: Energy	1 434 080	0,72 %
J.P.Morgan Chase Bank N.A. London	1 314 340	0,66 %
Lieungh, Simen	952 381	0,48 %
Eika Norge	940 485	0,47 %
VPF Nordea Kapital	913 001	0,46 %
Citybank, N.A.	912 238	0,46 %
Verdipapirfondet DNB SMB	835 323	0,42 %
VPF Nordea Avkastning	740 849	0,37 %
The Bank of New York Mellon SA/NV	678 923	0,34 %
Morgan Stanley and Co Intl Plc	664 719	0,33 %
FSP - Natural Resources	590 700	0,30 %
Fidelity Advisor Natural Resources	564 256	0,28 %
Goldman Sachs International	523 016	0,26 %
Total 20 largest shareholders	**174 885 334**	**88,00 %**
Other shareholders	23 851 566	12,00 %
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	Q4 17	Q4 16	FY 17	FY 16
Interest income	743	257	1 535	819
Interest expense	(16 335)	(16 693)	(65 636)	(61 177)
Other borrowing expenses	(1 566)	(1 569)	(6 392)	(7 877)
Gain/(loss) on interest rate swaps	298	1 320	520	660
Net currency gain/(loss)	1 670	(4 239)	(3 087)	(4 926)
Other financial items	(284)	(220)	(1 051)	(1 544)
Net financial items	**(15 473)**	**(21 145)**	**(74 111)**	**(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 31 December 2017. 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.

The Group had the following material transactions with related parties:

USD thousands	Q4 17	Q4 16	FY 17	FY 16
Sales of services:				
- Robotic Drilling System AS	-	12	20	33
- Deep Sea Metro Ltd. Group	-	3 708	3 770	30 487
Total	**-**	**3 720**	**3 791**	**30 520**
Operating expenses:				
- Kokstad Holding AS group (related to main share holder)	1 578	1 981	6 392	6 293
- Robotic Drilling System AS	-	67	-	91
Total	**1 578**	**2 048**	**6 392**	**6 384**

At 31 December 2017 the group has no shares in Robotic Drilling System AS, nor in Deep Sea Metro Ltd. Transactions up until divestments are included in table above.

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

USD thousands	31.12.2017	31.12.2016
Current receivables:		
- Robotic Drilling System AS (divested 31 August 2017)	-	4
- Deep Sea Metro Ltd. Group (divested 14 December 2017)	-	1 840
Total	**-**	**1 844**
Current liabilities:		
- Kokstad Holding AS group (related to main share holder)	647	-
- Robotic Drilling System AS (divested 31 August 2017)	-	65
- Deep Sea Metro Ltd. Group (divested 14 December 2017)	-	11 875
Total	**647**	**11 940**

Note 15 - Important events occurring after the reporting period

Well Services awarded contract with Kuwait Oil Company

Well Services was awarded a contract with Kuwait Oil Company (KOC) in January 2018 to provide tubular running services, downhole drilling tools, drillpipe, pressure control and wellbore clean up equipment for all KOC's drilling and workover operations. Well Services was one of three successful bidders selected to provide these services both onshore and offshore.

The firm duration of the contract is 5 years, based on call off services. The contract commenced in January 2018.

Statoil exercised Deepsea Bergen options

Statoil exercised, in December 2017 and January 2018 respectively, two of four options in Deepsea Bergen's drilling contract. The first option is for 2 wells with an expected duration of 80 days and the second option is for 3 wells with an expected duration of 75 days taking operations into mid second half of 2018.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 2017.