Odfjell Drilling Ltd.

Report for the 2nd quarter and 1st half of 2021

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

Key figures for the Group

All figures in USD million

Key figures Odfjell Drilling Ltd. Group	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Operating revenue…………………………………………	233	167	415	364	930
EBITDA……………………………………………………………	85	81	130	163	420
EBIT…………………………………………………………………	39	18	40	51	216
Net profit (loss)…………………………………………	27	(6)	16	16	143
EBITDA margin……………………………………………	36%	49%	31%	45%	45%
Total assets………………………………………………			2,553	2,586	2,640
Net interest bearing debt…………………………….			986	1,161	1,005
Equity…………………………………………………………….			1,213	1,048	1,199
Equity ratio………………………………………………			48%	41%	45%

Highlights Q2 2021

Odfjell Drilling Ltd. Group

- Operating revenue of USD 233 million compared to USD 167 million in Q2 2020.
- EBITDA of USD 85 million compared to USD 81 million in Q2 2020.
- EBITDA margin of 36% compared to an EBITDA margin of 49% in Q2 2020.
- The Group's contract backlog is USD 2.4 billion, whereof USD 1.4 billion is firm backlog. The comparable figure at the end of Q2 2020 was USD 2.2 billion, whereof USD 1.2 billion was firm backlog.

Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 160 million compared to USD 118 million in Q2 2020.
- EBITDA of USD 77 million compared to USD 68 million in Q2 2020.
- EBITDA margin of 48% compared to an EBITDA margin of 58% in Q2 2020.

Energy segment (Energy)

- Operating revenue of USD 51 million compared to USD 32 million in Q2 2020.
- EBITDA of USD 2 million compared to USD 5 million in Q2 2020.
- EBITDA margin of 3% compared to an EBITDA margin of 14% in Q2 2020.

Well Services segment (OWS)

- Operating revenue of USD 30 million compared to USD 24 million in Q2 2020.
- EBITDA of USD 7 million similar as in Q2 2020.
- EBITDA margin of 23% compared to an EBITDA margin of 29% in Q2 2020.

Master Frame Agreement work for Deepsea Atlantic

Equinor has, year to date in 2021, added 6 more wells to Deepsea Atlantic 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 commercial terms are materially the same as for the Johan Sverdrup Phase 2 contract that will commence in Q1 2022. The current firm well program is expected to end back-to-back with the Johan Sverdrup phase 2 contract commencement in early Q1 2022.

Equinor contract award to Deepsea Stavanger

Equinor has, on 26 May 2021, awarded a drilling contract to Odfjell Drilling for the use of the sixth generation semi-submersible, Deepsea Stavanger. The contract has a firm period of 3 wells with an expected duration of 4 months and an expected commencement date during Q1 2022.

The dayrate shall be similar to that agreed for sister rig, Deepsea Aberdeen, under its Breidablikk contract which is also set to commence during the first half of 2022. The Deepsea Stavanger's contract includes a notable performance incentive rate which shall apply when wells are delivered safely and ahead of target. The rig will also be included in the overall Master Frame Agreement between Equinor and Odfjell Drilling.

bp Alliance agreement for platform drilling and well services

Odfjell Drilling has entered into a long term contract with bp, which includes a tripartite Alliance Agreement together with Baker Hughes, to further develop the Clair field in the UK continental shelf.

The firm period is valid to Q1 2025 plus 2 x 2 year options. Under the contract, Odfjell Drilling will continue with the provision of platform drilling and drilling maintenance services on three of bp's platforms in the UK North Sea (Clair, Clair Ridge and Andrew). In addition, Odfjell Well Services will also provide integrated services covering equipment rental, well bore clean up and tubular running services. The contract has recently commenced and replaced the previous platform drilling contract between Odfjell Drilling and bp.

Bank facilities extension completed

Further to the stock exchange notice of 26 May 2021, Odfjell Drilling signed the final documentation for the extension of the Deepsea Aberdeen and Odfjell Drilling Services facilities on 30 June 2021. Both extensions were made effective on 2 July 2021.

The Deepsea Aberdeen facility was extended on the existing terms with USD 211 million outstanding across two export credit tranches and one commercial tranche as of the effective date. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

The Odfjell Drilling Services facility was extended to ultimo June 2023 with USD 150 million outstanding as of the effective date. The facility will be repaid by quarterly instalments of USD 5 million, with the first repayment due in February 2022. The applicable margin is 400 basis points.

COVID-19

Odfjell Drilling has had limited financial impact due to the COVID-19 outbreak as all business areas acted quickly to implement required routines and procedures to limit the spread of the virus. The Group will continue to monitor the situation and take actions as required and recommended by local authorities.

Financial review – operations

(Comparable figures for last comparable period in brackets)

Consolidated group financials

Profit & loss Q2 2021

Operating revenue for Q2 2021 was USD 233 million (USD 167 million), an increase of USD 66 million. The increase is mainly due to increased revenue in the MODU segment from Q2 2020 to Q2 2021, in addition to increased revenue in the other segments.

EBITDA in Q2 2021 was USD 85 million (USD 81 million), an increase of USD 4 million, mainly due to increased EBITDA in the MODU segment, partly offset by decreased EBITDA in the Energy segment. The EBITDA margin in Q2 2021 was 36% (49%).

Depreciation and amortisation cost in Q2 2021 was USD 45 million (USD 62 million), a decrease of USD 17 million mainly due to the MODU rig Deepsea Bergen that was disposed for recycling in Q4 2020.

EBIT in Q2 2021 was USD 39 million (USD 18 million), an increase of USD 21 million.

Net financial expenses in Q2 2021 amounted to USD 11 million (USD 24 million). The decrease in net expenses was mainly explained by reduced interest expenses, reduction in net currency loss and fair value changes. Net financial expenses in Q2 2021 also include recognised modification net gain related to the extension and amendment of the Deepsea Aberdeen and the Odfjell Drilling Services facilities.

In Q2 2021, the income tax expense was USD 1.6 million (USD 1 million).

Net profit in Q2 2021 was USD 27 million (net loss USD 6 million).

Profit & loss YTD 2021

Operating revenue for YTD 2021 was USD 415 million (USD 364 million), an increase of USD 51 million. The increase is mainly due to increased revenue in the Energy segment, in addition to increased revenue in the other segments.

EBITDA YTD 2021 was USD 130 million (USD 163 million), a decrease of USD 33 million. The decrease is mainly due to decreased EBITDA in the MODU segment. The EBITDA margin YTD 2021 was 31% (45%).

Depreciation and amortisation cost YTD 2021 was USD 90 million (USD 111 million), a decrease of USD 21 million mainly due to the MODU rig Deepsea Bergen that was disposed for recycling in Q4 2020.

EBIT YTD 2021 was USD 40 million (USD 51 million), a decrease of USD 11 million.

Net financial expenses YTD 2021 amounted to USD 22 million (USD 32 million). The decrease in net expenses of USD 10 million from YTD 2020 to YTD 2021 was mainly explained by reduced interest expenses and other borrowing costs. Borrowing costs YTD 2021 include recognised modification net gain related to the extension and amendment of the Deepsea Aberdeen and the Odfjell Drilling Services facilities.

YTD 2021, the tax expense was USD 2 million (USD 3 million).
Net profit YTD 2020 was USD 16 million (USD 16 million).

Balance sheet

Total assets as at 30 June 2021 amounted to USD 2,553 million (USD 2,640 million as at 31 December 2020), a decrease of USD 87 million.

Total equity as at 30 June 2021 amounted to USD 1,213 million (USD 1,199 million as at 31 December 2020) an increase of USD 14 million. The equity ratio was 48% as at 30 June 2021 (45% as at 31 December 2020).

Net interest bearing debt as at 30 June 2021 amounted to USD 986 million (USD 1,005 million as at 31 December 2020), a decrease of USD 19 million.

Cash flow Q2 2021

Net cash flow from operating activities in Q2 2021 was positive with USD 44 million (USD 89 million). There was a negative change in working capital of USD 27 million (positive USD 26 million), mainly explained by changes in operational activity for Deepsea Stavanger.
The Group paid USD 14 million (USD 19 million) in interest.

Net cash outflow from investing activities in Q2 2021 was USD 29 million (USD 37 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities in Q2 2021 was USD 71 million (USD 77 million). In Q2 2021 the Group paid USD 68 million (USD 75 million) in instalments on credit facilities and leases, and dividends of USD 2 million (USD 2 million) was paid to the preference shareholder.

Cash flow YTD 2021

Net cash flow from operating activities YTD 2021 was positive with USD 88 million (USD 133 million). The Group paid USD 27 million (USD 37 million) in interest.

Net cash outflow from investing activities YTD 2021 was USD 62 million (USD 60 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities YTD 2021 was USD 94 million (USD 82 million). The Group paid USD 92 million (USD 105 million) in instalments on credit facilities and leases, and dividends of USD 2 million (USD 2 million) was paid to the preference shareholder.

At 30 June 2021, cash and cash equivalents amounted to USD 137 million. There has been a net negative change of USD 70 million since 31 December 2020.

Segments

Mobile Offshore Drilling Units

All figures in USD million

Key figures MODU segment	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Operating revenue……………………………………………	160	118	275	261	704
EBITDA………………………………………………………………	77	68	113	138	375
EBIT…………………………………………………………………	40	14	40	44	206
EBITDA margin……………………………………………	48%	58%	41%	53%	53%

Operating revenue for the MODU segment in Q2 2021 was USD 160 million (USD 118 million), an increase of USD 42 million. This was mainly due to Deepsea Stavanger as the rig was in operation most of Q2 2021, while carrying out Special Periodic Survey (SPS) at yard and preparing for the Total South Africa contract during Q2 2020. In addition, both Deepsea Nordkapp and Deepsea Aberdeen increased the revenue mainly explained by higher dayrates compared to Q2 2020.

EBITDA for the MODU segment in Q2 2021 was USD 77 million (USD 68 million), an increase of USD 8 million, mainly explained by the increase in EBITDA for Deepsea Stavanger for the same reason as mentioned above in addition to strong bonus achievements in the second quarter.

EBIT for the MODU segment in Q2 2021 was USD 40 million (USD 14 million), an increase of USD 26 million. The increase is mainly explained by the disposal of Deepsea Bergen in 2020 and Deepsea Stavanger being in operations in Q2 2021 as mentioned above.

Operating revenue for the MODU segment YTD 2021 was USD 275 million (USD 261 million), an increase of USD 14 million. This is mainly due to Deepsea Nordkapp and Deepsea Aberdeen with increased income due to higher dayrates compared to the same period last year, partly offset by Deepsea Bergen which had no revenue YTD 2021 due to the reason mentioned above.

EBITDA for the MODU segment YTD 2021 was USD 113 million (USD 138 million), a decrease of USD 25 million, mainly explained by a decrease in EBITDA for Deepsea Stavanger as the rig was between contracts during first half of 2021.

EBIT for the MODU segment in YTD 2021 was USD 40 million (USD 44 million), a decrease of USD 4 million.

MODU - Financial utilisation

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

Financial Utilisation - MODU	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Deepsea Stavanger…………………………………………	99.6 %	99.6 %	99.6 %	98.8 %	99.2 %
Deepsea Atlantic……………………………………………	97.8 %	98.6 %	91.9 %	98.8 %	98.9 %
Deepsea Bergen………………………………………………	n/a	0.0 %	n/a	92.7 %	92.7 %
Deepsea Aberdeen…………………………………………	98.7 %	97.1 %	98.0 %	86.0 %	92.1 %
Deepsea Nordkapp ………………………………………	98.7 %	99.6 %	98.6 %	98.8 %	99.0 %

- Deepsea Stavanger commenced for Aker BP on the NCS on 10 April 2021 and has operated for them throughout the quarter.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q2 2021.
- Deepsea Bergen finalised its last contract on 23 March 2020. The unit was disposed for recycling end of 2020.
- Deepsea Aberdeen was on contract with BP and Wintershall on the NCS during Q2 2021.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q2 2021.

Energy

All figures in USD million

Key figures Energy segment	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Operating revenue……………………………………………	51	32	98	68	156
EBITDA………………………………………………………………	2	5	4	7	15
EBIT……………………………………………………………………	2	4	4	7	15
EBITDA margin…………………………………………………	3%	14%	4%	11%	10%

Operating revenue for the Energy segment in Q2 2021 was USD 51 million (USD 32 million), an increase of USD 19 million. The increase is mainly explained by revenue from the ConocoPhillips contract, which commenced in Q3 2020.

EBITDA for the Energy segment in Q2 2021 was USD 2 million (USD 5 million), a decrease of USD 3 million. The EBITDA margin for the Energy segment in Q2 2021 was 3% (14%). The decrease is mainly explained by lower financial performance in Platform Drilling due to reduced incentive payments and reduced engineering profitability compared to the same quarter last year.

EBIT for the Energy segment Q2 2021 was USD 2 million (USD 4 million), a decrease of USD 2 million.

Operating revenue for the Energy segment in YTD 2021 was USD 98 million (USD 68 million), an increase of USD 30 million. The increase is mainly explained by revenue from the ConocoPhillips contract as explained above.

EBITDA for the Energy segment YTD 2021 was USD 4 million (USD 7 million), a decrease of USD 3 million for the same reasons as mentioned above. The EBITDA margin for the Energy segment YTD 2021 was 4% (11%).

EBIT for the Energy segment YTD 2021 was USD 4 million (USD 7 million), a decrease of USD 3 million.

Well Services

All figures in USD million

Key figures Well Services segment	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Operating revenue…………………………………………	30	24	57	52	104
EBITDA………………………………………………………	7	7	13	16	32
EBIT…………………………………………………………	1	1	1	4	7
EBITDA margin……………………………………………	23%	29%	23%	30%	31%

Operating revenue for OWS in Q2 2021 was USD 30 million (USD 24 million), an increase of USD 6 million. The increase is explained by higher activity in both the Norwegian and Middle East, Africa and Asia (MEAA) markets compared to the same period last year.

EBITDA for the OWS segment in Q2 2021 was USD 7 million (USD 7 million). EBITDA margin for the OWS segment in Q2 2021 was 23% (29%). Norway and the MEAA have maintained a consistent level of profitability, however the results for the European countries were impacted by the COVID-19 pandemic.

EBIT for the OWS segment in Q2 2021 was USD 1 million (USD 1 million).

Operating revenue for the OWS segment YTD 2021 was USD 57 million (USD 52 million), an increase of USD 5 million for the same reasons as mentioned above.

EBITDA for the OWS segment in YTD 2021 was USD 13 million (USD 16 million), a decrease of USD 3 million. EBITDA margin for the OWS segment in YTD 2021 was 23% (30%). The decrease in EBITDA margin is for the same reasons as mentioned above.

EBIT for the OWS segment in YTD 2021 was USD 1 million (USD 4 million).

Environmental, social responsibility and governance (ESG)

Odfjell Drilling's ESG strategy is divided into the focus areas Environmental Impact, People & Safety and Ethics & Governance. For a full presentation of the strategy, and the material and important topics within each focus area, reference is made to the 2020 Sustainability Report published on https://www.odfjelldrilling.com/Investor-relations/Presentations/. Please see a status update for Q2 2020 on all focus areas below.

<u>*Environmental Impact*</u>: With an overall ambition to be net zero emissions by 2050, and with a milestone of 40% emission reduction in 2026, there are multiple ongoing "zero emission drilling" projects on all rigs. Odfjell Drilling aims to optimise power consumption and supply, and develop KPI measurement systems to quantify and document emission reductions. So far, the results exceed initial expectations. A full scale flywheel/battery hybrid solution was installed on our first unit, Deepsea Atlantic, and is undergoing final testing. Similar systems will be implemented on all Odfjell Drilling rigs in the coming years. Well Services' "Green Day challenges", part of its campaign to "Reduce, Reuse and Recycle" at work and at home, included measures to save energy, reduce plastics and reduce consumption.

People & Safety: Continued focus on COVID 19 procedures on- and offshore with satisfactory results. The organisation is working on returning-to-office policies based on local requirements in all our locations. During the summer months there were increased efforts on safety awareness to meet the target of «zero incidents». OWS introduced the CARE principles, to improve our competence and increase our awareness related to mental health.

Ethics & Governance: Odfjell Drilling's priority is always a secure operation, and the group works continuously with security on both physical and digital areas. The pandemic had immediate impact on our means of communicating. Odfjell Drilling installed new video technology just before the pandemic hit in March 2020. After a year of operation it is clear that it enabled effective communication and "business as usual", with the required level of cyber and data security.

Outlook

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

The negative developments in 2020, with the COVID-19 outbreak and the drop in the oil price, have however increased the uncertainty within the drilling and oil service market. Although the oil price has recently recovered, we note that the oil companies globally have adjusted their activities for the short to medium term. Additionally, the strong shift in the energy discussion towards renewable sources has created discussion about energy composition for the future.

The general situation for the global offshore industry is challenging with a substantial oversupply caused by the challenges previously mentioned in the paragraph above. We observe that several of the global offshore drilling contractors are or have recently completed restructuring processes. We believe several players in the offshore drilling industry will seek to consolidate in the short to medium term.

For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks sound and in balance. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our capabilities and focus.

Odfjell Drilling benefits from having a modern fleet of high-end harsh environment 6th generation units and strategic frame agreements with major oil companies operating in harsh environments. Our Group has been successful in adding more backlog due to our operational track record and strong client relationships, combined with a healthy balance sheet. The Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which triggers increased activity over the next few years.

Deepsea Stavanger completed its last well with Aker BP in the beginning of July and commenced the 3 well contract with Lundin Norway on 7 July 2021. The rig will thereafter return to Aker BP for a one-well operation expected to end in Q4 this year. The rig will continue on a 3 well program under the Master Frame Agreement with Equinor expected to commence early in Q1 2022.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement with firm operations throughout 2021. We expect the rig to commence the Johan Sverdrup phase 2 drilling campaign back to back with current operations in early Q1 2022.

Deepsea Aberdeen commenced the Wintershall contract mid-February 2021 and we expect the operations to end back to back with the awarded Breidablikk contract commencing spring 2022. Deepsea Aberdeen will continue to be compensated by bp through monthly payments until April 2022.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. In March 2021, Aker BP exercised the second option of the contract extending firm scope to June 2023. In addition, Deepsea Nordkapp has received another 12 months option from Aker BP.

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. However, the COVID-19 pandemic may impact any market improvements, particularly in some of the regional markets.

Lastly, the market for our Energy service activities has been stable over the last decade. Based on our quality operations and efficiency, we expect to be competitive in the future tendering processes. Furthermore, we are positioning for new service areas which has the intention to expand the Energy service portfolio.

Risks and uncertainties

In addition to the 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, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients' spending budgets and developments in the financial and fiscal markets. Furthermore, as the Group's fully owned fleet consists of 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 financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and future funding sources may be restricted.

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 continues its focus on capital discipline in order to improve its competitiveness in this challenging market.

Quality, health, safety & environment (QHSE)

Key figures QHSE	YTD 21	FY 20
Lost time incident frequency (as per 1 million working hours)……	1.4	1.5
Total recordable incident frequency (as per 1 million working hours)……	2.8	4.7
Sick leave (percentage)……	4.0	3.0
Dropped objects frequency (as per 1 million working hours)……	3.0	4.8
Number of employees……	2,803	2,628

Aberdeen, United Kingdom
25 August 2021

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
Earnings before interest and taxes

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. The calculation does not include any recognised incentive payments.

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

Earnings per share
Net profit / number of outstanding shares

ODFJELL DRILLING

Odfjell Drilling Ltd.

Condensed Consolidated Financial Statements

2nd quarter and 1st half year of 2021

Unaudited

Condensed Consolidated Income Statement

USD thousands	Note	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Operating revenue	2,3	**233,091**	**166,518**	**414,964**	**363,948**	**929,739**
Other gains and losses		(58)	401	167	846	2,531
Personnel expenses		(106,606)	(60,291)	(201,396)	(138,769)	(340,303)
Other operating expenses		(41,797)	(25,804)	(83,959)	(63,261)	(171,563)
EBITDA		**84,630**	**80,823**	**129,776**	**162,764**	**420,403**
Depreciation, amortisation and impairment	5,6,7	(45,144)	(62,328)	(90,046)	(111,347)	(203,962)
Operating profit (EBIT)		**39,485**	**18,496**	**39,730**	**51,417**	**216,441**
Share of profit (loss) from joint ventures and associates		(124)	-	(124)	-	-
Net financial items	14	(10,868)	(23,899)	(21,648)	(32,401)	(70,798)
Profit (loss) before tax		**28,494**	**(5,403)**	**17,958**	**19,016**	**145,643**
Income tax expense		(1,545)	(899)	(2,239)	(2,538)	(2,339)
Net profit (loss)		**26,949**	**(6,303)**	**15,719**	**16,478**	**143,304**
Profit (loss) attributable to:						
Non-controlling interests		(213)	-	(531)	-	(73)
Owners of the parent		27,162	(6,303)	16,250	16,478	143,377
Earnings per share (USD)						
Basic earnings per share	10	0.11	(0.04)	0.05	0.05	0.57
Diluted earnings per share	10	0.11	(0.04)	0.05	0.05	0.57

Condensed Consolidated Statement of Comprehensive Income

USD thousands	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Net profit (loss)	**26,949**	**(6,303)**	**15,719**	**16,478**	**143,304**
Items that will not be reclassified to profit or loss:					
Actuarial gain (loss) on post employment benefit obligations	-	(190)	-	(2,711)	(2,039)
Items that are or may be reclassified to profit or loss:					
Cash flow hedges	(702)	(2,056)	1,051	(13,905)	(7,303)
Currency translation differences	118	10,224	(271)	(12,420)	4,837
Other comprehensive income, net of taxes	**(584)**	**7,979**	**780**	**(29,036)**	**(4,504)**
Total comprehensive income	**26,365**	**1,676**	**16,499**	**(12,558)**	**138,799**
Total comprehensive income attributable to:					
Non-controlling interests	(206)	-	(524)	-	(21)
Owners of the parent	26,571	1,676	17,023	42,085	138,820

Condensed Consolidated Statement of Financial Position

USD thousands	Note	30.06.2021	30.06.2020	31.12.2020
Assets				
Deferred tax asset		1,043	688	1,040
Intangible assets	5	28,181	26,052	28,892
Property, plant and equipment	6,7	2,163,245	2,230,377	2,203,387
Financial non-current assets	4	5,614	122	2,588
Total non-current assets		**2,198,082**	**2,257,239**	**2,235,908**
Trade receivables		178,345	127,299	161,889
Contract assets		10,525	9,173	9,898
Other current assets	4	29,162	39,259	25,900
Cash and cash equivalents		137,377	153,507	206,895
Total current assets		**355,409**	**329,239**	**404,583**
Total assets		**2,553,491**	**2,586,478**	**2,640,491**
Equity and liabilities				
Paid-in capital	13	564,959	564,959	564,959
Other equity		648,080	483,107	632,909
Equity attributable to owners of the parent		**1,213,039**	**1,048,066**	**1,197,868**
Non-controlling interests		-	-	636
Total equity		**1,213,039**	**1,048,066**	**1,198,503**
Non-current interest-bearing borrowings	11	951,787	1,114,154	695,792
Non-current lease liabilities	7	35,577	34,046	36,920
Post-employment benefits		6,425	5,808	6,902
Non-current contract liabilities		5,183	1,905	3,688
Other non-current liabilities	4	10,359	16,799	16,623
Total non-current liabilities		**1,009,331**	**1,172,713**	**759,925**
Current interest-bearing borrowings	11	171,546	200,794	515,799
Current lease liabilities	7	6,263	7,077	7,633
Contract liabilities		20,590	55,008	14,003
Trade payables		47,536	35,374	52,667
Other current liabilities	4	85,185	67,446	91,961
Total current liabilities		**331,120**	**365,699**	**682,063**
Total liabilities		**1,340,452**	**1,538,412**	**1,441,987**
Total equity and liabilities		**2,553,491**	**2,586,478**	**2,640,491**

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 2020	564,959	497,419	1,062,378	981,260	81,118	-	1,062,378
Profit/(loss) for the period	-	16,478	16,478	12,445	4,034	-	16,478
Other comprehensive income for the period	-	(29,036)	(29,036)	(29,036)		-	(29,036)
Total comprehensive income for the period	-	(12,558)	(12,558)	(16,592)	4,034	-	(12,558)
Dividend to preference share holders	-	(2,017)	(2,017)	-	(2,017)	-	(2,017)
Cost of Share-option plan	-	263	263	263	-	-	263
Transactions with owners	-	(1,754)	(1,754)	263	(2,017)	-	(1,754)
Balance at 30 June 2020	**564,959**	**483,107**	**1,048,066**	**964,932**	**83,134**	**-**	**1,048,066**
Total comprehensive income for the period Q3-Q4	-	151,378	151,378	147,199	4,179	(21)	151,357
Transactions with owners for the period Q3-Q4	-	(1,576)	(1,576)	513	(2,090)	656	(920)
Balance at 31 December 2020	**564,959**	**632,909**	**1,197,868**	**1,112,644**	**85,224**	**636**	**1,198,503**
Profit/(loss) for the period	-	16,250	16,250	12,024	4,226	(531)	15,719
Other comprehensive income for the period	-	772	772	772	-	7	780
Total comprehensive income for the period	-	17,023	17,023	12,796	4,226	(524)	16,499
Dividend to preference share holders	-	(2,113)	(2,113)	-	(2,113)	-	(2,113)
Loss of control of a subsidiary	-	-	-	-	-	(112)	(112)
Cost of Share-option plan	-	262	262	262	-	-	262
Transactions with owners	-	(1,851)	(1,851)	262	(2,113)	(112)	(1,963)
Balance at 30 June 2021	**564,959**	**648,080**	**1,213,039**	**1,125,702**	**87,337**	**-**	**1,213,039**

Unaudited

Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Cash flows from operating activities:						
Profit/(loss) before tax		28,494	(5,403)	17,958	19,016	145,643
Adjustment for provisions and other non-cash elements		56,938	89,536	113,323	133,559	266,518
Changes in working capital		(27,357)	25,614	(15,533)	18,981	3,424
Cash generated from operations		***58,074***	***109,746***	***115,748***	***171,557***	***415,584***
Net interest paid		(13,767)	(19,445)	(26,703)	(37,314)	(66,648)
Net income tax paid		(764)	(802)	(1,384)	(1,601)	(3,194)
Net cash flow from operating activities		**43,544**	**89,499**	**87,661**	**132,642**	**345,743**
Cash flows from investing activities:						
Purchase of property, plant and equipment	5,6	(28,874)	(37,213)	(62,019)	(61,093)	(114,047)
Proceeds from sale of property, plant and equipment		320	684	651	1,477	3,130
Other non-current receivables		(0)	1	195	1	(2,461)
Cash used in obtaining control of subsidiaries		-	-	-	-	(100)
Proceeds from transactions with non-controlling interests		-	-	-	-	355
Cash flows from losing control of subsidiaries		(487)	-	(487)	-	-
Net cash flow from investing activities		**(29,041)**	**(36,529)**	**(61,659)**	**(59,616)**	**(113,123)**
Cash flows from financing activities:						
Net (payments)/proceeds from borrowings	11	-	-	-	25,000	25,000
Repayment of borrowings	11	(67,053)	(74,053)	(88,105)	(102,105)	(208,211)
Repayment of lease liabilities	7	(1,393)	(1,401)	(3,962)	(2,898)	(5,822)
Dividends paid to preference share holders		(2,113)	(2,017)	(2,113)	(2,017)	(4,107)
Net cash flow from financing activities		**(70,559)**	**(77,471)**	**(94,180)**	**(82,021)**	**(193,139)**
Effects of exchange rate changes on cash and cash equivalents		(856)	3,933	(1,339)	(7,193)	(2,279)
Net increase (decrease) in cash and cash equivalents		**(56,912)**	**(20,568)**	**(69,518)**	**(16,187)**	**37,201**
Cash and cash equivalents at beginning of period		194,289	174,075	206,895	169,694	169,694
Cash and cash equivalents at period end		**137,377**	**153,507**	**137,377**	**153,507**	**206,895**

Note 1 | Accounting Principles

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

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

These condensed interim financial statements were approved by the Board of Directors on 25 August 2021 and have not been audited.

Basis for preparation
These condensed interim financial statements for the three months period ended 30 June 2021 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 2020.

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 plus developments in the financial markets.

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 be restricted 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. Hence, the Group has adopted the going concern basis in preparing its consolidated financial statements.

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

Use of estimates
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors which are outside the Group's control. The resulting estimates will, by definition, seldom equal the related actual results.

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 2020.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to Note 5 and Note 6 where assumptions and sensitivity analysis for goodwill and mobile drilling units are presented. Reference is also made to liquidity risk in Note 4 and contingencies in Note 12.

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

Note 2 | Segment summary

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

- **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:** The Energy segment provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea, as well as engineering services, including design, project management and operation and support. The Energy segment will also develop growth within new product lines 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.

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20
External segment revenue	160,374	118,500	47,737	27,478	21,163	19,158	3,817	1,382	233,091	166,518
Inter segment revenue	-	-	2,892	4,423	8,584	4,730	(11,476)	(9,153)	-	-
Total revenue	**160,374**	**118,500**	**50,629**	**31,901**	**29,747**	**23,888**	**(7,659)**	**(7,771)**	**233,091**	**166,518**
EBITDA	**76,569**	**68,349**	**1,562**	**4,517**	**6,918**	**6,955**	**(419)**	**1,002**	**84,630**	**80,823**
Depreciation and impairment	(36,737)	(53,943)	(21)	(27)	(5,914)	(6,291)	(2,471)	(2,067)	(45,144)	(62,328)
EBIT	**39,831**	**14,406**	**1,541**	**4,491**	**1,003**	**664**	**(2,890)**	**(1,065)**	**39,485**	**18,496**
Share of profit (loss) from joint ventures and associates									(124)	-
Net financial items									(10,868)	(23,899)
Profit / (loss) before tax - Consolidated Group									**28,494**	**(5,403)**

Note 2 | Segment summary - cont.

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20
External segment revenue	274,746	260,675	91,411	59,396	42,265	40,386	6,543	3,490	414,964	363,948
Inter segment revenue	-	-	6,496	8,692	14,754	11,718	(21,250)	(20,410)	-	-
Total revenue	**274,746**	**260,675**	**97,907**	**68,088**	**57,018**	**52,105**	**(14,707)**	**(16,920)**	**414,964**	**363,948**
EBITDA	**113,098**	**138,426**	**3,690**	**7,169**	**13,390**	**15,799**	**(403)**	**1,370**	**129,776**	**162,764**
Depreciation and impairment	(72,893)	(94,803)	(44)	(54)	(12,224)	(12,207)	(4,886)	(4,284)	(90,046)	(111,347)
EBIT	**40,205**	**43,624**	**3,647**	**7,115**	**1,166**	**3,593**	**(5,289)**	**(2,914)**	**39,730**	**51,417**
Share of profit (loss) from joint ventures and associates									(124)	-
Net financial items									(21,648)	(32,401)
Profit / (loss) before tax - Consolidated Group									**17,958**	**19,016**

USD thousands	Mobile Offshore Drilling Units FY 20	Energy FY 20	Well Services FY 20	Corporate / Eliminations FY 20	Consolidated FY 20
External segment revenue	703,881	142,316	76,703	6,838	929,739
Inter segment revenue	-	13,265	27,164	(40,430)	-
Total revenue	**703,881**	**155,582**	**103,868**	**(33,591)**	**929,739**
EBITDA	**375,284**	**15,184**	**32,266**	**(2,331)**	**420,403**
Depreciation and impairment	(169,484)	(99)	(25,409)	(8,970)	(203,962)
EBIT	**205,800**	**15,085**	**6,858**	**(11,302)**	**216,441**
Net financial items					(70,798)
Profit / (loss) before tax - Consolidated Group					**145,643**

Note 3 | Revenue

USD thousands	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Revenue from contracts with customers	226,917	160,077	403,161	349,527	901,117
Other operating revenue	6,174	6,441	11,803	14,422	28,622
Operating revenue	**233,091**	**166,518**	**414,964**	**363,948**	**929,739**

Disaggregation of revenue

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20
Primary geographical markets										
Norway	160,374	80,214	36,035	20,055	16,348	13,167	(7,003)	(6,668)	205,754	106,768
UK	-	38,286	14,593	11,846	2,053	1,759	(656)	(642)	15,990	51,250
Europe - other countries	-	-	-	-	3,432	3,842	-	(257)	3,432	3,585
Asia	-	-	-	-	7,724	4,809	-	(205)	7,724	4,604
Africa	-	-	-	-	104	217	-	-	104	217
Other geographical markets	-	-	-	-	87	93	-	-	87	93
Total operating revenue	**160,374**	**118,500**	**50,629**	**31,901**	**29,747**	**23,888**	**(7,659)**	**(7,771)**	**233,091**	**166,518**

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20	YTD 21	YTD 20
Primary geographical markets										
Norway	274,746	192,065	70,136	42,480	32,424	27,510	(13,590)	(15,274)	363,715	246,782
UK	-	68,302	27,771	25,608	4,236	4,199	(1,116)	(1,545)	30,891	96,564
Europe - other countries	-	-	-	-	6,730	9,248	-	-	6,730	9,248
Asia	-	308	-	-	13,348	10,608	-	(101)	13,348	10,815
Africa	-	-	-	-	148	417	-	-	148	417
Other geographical markets	-	-	-	-	132	122	-	-	132	122
Total operating revenue	**274,746**	**260,675**	**97,907**	**68,088**	**57,018**	**52,105**	**(14,707)**	**(16,920)**	**414,964**	**363,948**

	Mobile Offshore Drilling Units	Energy	Well Services	Corporate / Elimination	Consolidated
USD thousands	FY 20	FY 20	FY 20	FY 20	FY 20
Primary geographical markets					
Norway	349,128	103,013	55,085	(25,204)	482,023
UK	139,396	52,568	9,267	(3,707)	197,524
Europe - other countries	-	-	15,962	-	15,962
Asia	308	-	18,097	(133)	18,272
Africa	215,048	-	5,199	(4,548)	215,700
Other geographical markets	-	-	258	-	258
Total operating revenue	**703,881**	**155,582**	**103,868**	**(33,591)**	**929,739**

Note 4 | Financial risk management and Financial instruments

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

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in Note 11.

The 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 2020.

Odfjell Drilling has had limited financial impact due to the COVID-19 outbreak as all business areas acted quickly to implement required routines and procedures to limit the spread of the virus. The Group will continue to monitor the situation and take actions as required and recommended by local authorities.

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 million for the next 12 months including interest rate swaps, which is at level with year-end 2020.

Liquidity risk
Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has per 30 June 2021 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. Refer to annual report for the year ended 31 December 2020, Note 10, for further information.

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.

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

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

USD thousands	Level	30.06.2021	30.06.2020	31.12.2020
Financial assets at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	2,337	-	-
- Foreign exchange forward contracts - Other current assets	2	-	-	1,360
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	2	2,942	-	4,366
Debt instruments at amortised cost				
- Other non-current receivables		3,277	122	2,588
- Trade and other current receivables		190,474	138,844	173,482
Total financial assets		**199,030**	**138,966**	**181,796**

USD thousands	Level	30.06.2021	30.06.2020	31.12.2020
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	-	1,788	828
- Foreign exchange forward contracts - Other current liabilities	2	-	401	-
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	7,199	12,782	10,545
Warrant liabilities - Other non-current liabilities	3	3,160	2,230	5,250
Financial liabilities at amortised cost				
- Non-current lease liabilities		35,577	34,046	36,920
- Current lease liabilities		6,263	7,077	7,633
- Trade and other payables		102,865	101,642	119,186
- Non-current interest-bearing borrowings		951,787	1,114,154	695,792
- Current interest-bearing borrowings		171,546	200,794	515,799
Total financial liabilities		**1,278,397**	**1,474,912**	**1,391,953**

Valuation techniques used to derive Level 2 fair values

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

Fair value of financial liabilities measured at amortised cost

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

	30.06.2021	30.06.2020	31.12.2020
Non-current	951,787	1,114,154	695,792
Current	171,546	200,794	515,799
Total	**1,123,333**	**1,314,948**	**1,211,591**

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

Note 5 | Intangible assets

USD thousands	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2021	19,740	9,152	28,892
Additions	-	2,148	2,148
Disposal due to loss of control of subsidiary	(793)	-	(793)
Amortisation	-	(1,799)	(1,799)
Currency translation differences	(35)	(234)	(269)
Closing net book amount as at 30 June 2021	**18,913**	**9,268**	**28,181**
Opening net book amount as at 1 January 2020	18,443	11,235	29,678
Additions	-	775	775
Amortisation	-	(1,664)	(1,664)
Currency translation differences	(1,841)	(895)	(2,736)
Closing net book amount as at 30 June 2020	**16,602**	**9,450**	**26,052**

Disposal due to loss of control of subsidiary relates to investment in Odfjell Oceanwind AS. Due to capital contributions from other investors, the Group's financial interest has been reduced to about 18%. Odfjell Oceanwind AS is now classified as a joint venture, and is accounted for using the equity method in the consolidated financial statement from May 2021.

Note 5 | Intangible assets - cont.

Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. The Energy 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 2021 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill within respective CGU's do not indicate any impairment requirement as at 30 June 2021.

The key assumptions used for value-in-use calculations as per Q2 2021 are as follows:

	Mobile Offshore Drilling Units	Energy	Well Services
EBITDA margin in prognosis period	13% - 16%	5% - 10%	20% - 29%
Growth rate year 6 and forward	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10%	10%	10%

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 12 million in the Energy segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 12 million in the Energy segment and USD 4 million in the Well Services segment. None of the other scenarios indicated any impairment write-down of goodwill as at 30 June 2021.

Note 6 | Property, plant and equipment

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2021	1,965,571	123,628	68,724	2,888	42,576	2,203,387
Additions	29,552	9,258	6,841	1,064	1,865	48,580
Disposals	(132)	-	(396)	-	-	(528)
Depreciation	(55,997)	(16,708)	(11,072)	(627)	(3,638)	(88,043)
Currency translation differences	-	-	(5)	(34)	(114)	(153)
Net book amount as at 30 June 2021	**1,938,994**	**116,178**	**64,093**	**3,290**	**40,690**	**2,163,245**
Opening net book amount as at 1 January 2020	2,050,569	106,666	74,363	3,357	45,911	2,280,867
Additions	18,275	33,101	10,929	358	1,684	64,346
Disposals	(55)	-	(364)	(213)	-	(631)
Depreciation	(67,725)	(26,920)	(11,099)	(559)	(3,380)	(109,683)
Currency translation differences	-	-	(73)	(149)	(4,302)	(4,523)
Net book amount as at 30 June 2020	**2,001,064**	**112,847**	**73,757**	**2,795**	**39,914**	**2,230,377**
Useful lifetime	5 - 30 years	5 years	3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	Straight line	

Refer to Note 7 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, exercised options, operating expenses, financial utilisation and market recovery.

In the sensitivity analysis, 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. Rig broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller are part of the input for estimating for fair value less cost to sell.

Based on impairment tests performed as at 30 June 2021, the Group has not identified any impairment for rigs, or reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger.

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

Key assumptions	Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
	6G Semi	6G Semi	6G Semi	6G Semi
Weighted Average Cost of Capital (WACC)	9.2%	9.2%	9.2%	9.2%
Firm contract days	730	254	1,231	722
Firm contract day rates (weighted average)	309	292	349	323
Future normalised base case day rates - at full market recovery	400	400	400	400
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units		Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
Estimated impairment write-down if:					
- WACC increased by	1 pp	31,000	34,000	42,000	46,000
- WACC increased by	2 pp	59,000	64,000	78,000	85,000
- Day rate level (*) decreased by	5%	44,000	57,000	38,000	47,000
- Day rate level (*) decreased by	10%	89,000	113,000	76,000	94,000
- Normalised opex level increased by	5%	27,000	28,000	29,000	30,000
- Normalised opex level increased by	10%	54,000	56,000	57,000	60,000
- 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	24,000	19,000	24,000
- Financial utilisation in normalised period decreased by	3 pp	30,000	36,000	28,000	36,000

(*) excluding firm contractual day rates

Note 7 | Leases

The balance sheet shows the following amounts related to leases:

USD thousands	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2021	42,576	-	42,576
Additions	1,865	-	1,865
Depreciation	(3,638)	-	(3,638)
Currency translation differences	(114)	-	(114)
Net book amount as at 30 June 2021	**40,690**	**-**	**40,690**

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

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

Lease liabilities

USD thousands	30.06.2021	30.06.2020	31.12.2020
Non-current	35,577	34,046	36,920
Current	6,263	7,077	7,633
Total	**41,840**	**41,123**	**44,553**

Movements in non-current lease liabilities are analysed as follows:	30.06.2021	30.06.2020	31.12.2020
Carrying amount as at 1 January	36,920	38,901	38,901
Non-cash flows:			
New lease liabilities recognised in the year	1,865	1,684	2,616
Interest expense on lease liabilities	1,259	1,179	2,396
Reclassified to current portion of lease liabilities	(4,368)	(3,996)	(7,854)
Currency exchange differences	(98)	(3,722)	859
Carrying amount as at end of period	**35,577**	**34,046**	**36,920**

Movements in current lease liabilities are analysed as follows:	30.06.2021	30.06.2020	31.12.2020
Carrying amount as at 1 January	7,633	7,757	7,757
Cash flows:			
Payments for the principal portion of the lease liability	(3,962)	(2,898)	(5,822)
Payments for the interest portion of the lease liability	(1,769)	(1,110)	(2,379)
Non-cash flows:			
Reclassified from non-current portion of lease liabilities	4,368	3,996	7,854
Currency exchange differences	(8)	(668)	223
Carrying amount as at end of period	**6,263**	**7,077**	**7,633**

Note 8 | Commitments

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

USD thousands	30.06.2021	30.06.2020	31.12.2020
Rig investments	13,472	23,950	31,644
Rental and casing equipment	14,949	5,655	2,811
Total	**28,420**	**29,605**	**34,456**

Note 9 | Paid dividends and acquisition of own shares

The Group paid cash dividends of USD 2.1 million in Q2 2021 to the holders of the preference shares. Refer to Note 13 for more information about the preference shares.

The Group has not acquired any of its own shares in the interim period ending 30 June 2021.

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 2020 or 2021, as the terms of execution have not occurred during the years and the share price is below the level set in the warrant agreement.

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

USD thousands	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Profit/(loss) due to owners of the parent	27,162	(6,303)	16,250	16,478	143,377
Adjustment for dividends on preference shares	(2,131)	(2,017)	(4,226)	(4,034)	(8,213)
Profit/(loss) for the period due to holders of common shares	**25,031**	**(8,320)**	**12,024**	**12,445**	**135,164**
Adjustment related to warrants and share option plan	-	-	-	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**25,031**	**(8,320)**	**12,024**	**12,445**	**135,164**

	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Weighted average number of common shares in issue	236,783,202	236,783,202	236,783,202	236,783,202	236,783,202
Effects of dilutive potential common shares:					
Warrants	-	-	-	-	-
Share option plan	-	-	-	-	-
Diluted average number of shares outstanding	236,783,202	236,783,202	236,783,202	236,783,202	236,783,202

	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Basic earnings per share	0.11	(0.04)	0.05	0.05	0.57
Diluted earnings per share	0.11	(0.04)	0.05	0.05	0.57

Note 11 | Interest-bearing borrowings

USD thousands	30.06.2021	30.06.2020	31.12.2020
Non-current	951,787	1,114,154	695,792
Current	171,546	200,794	515,799
Total	**1,123,333**	**1,314,948**	**1,211,591**

Movements in non-current borrowings are analysed as follows:	30.06.2021	30.06.2020	31.12.2020
Carrying amount as at 1 January	695,792	1,173,882	1,173,882
Cash flows:			
New bank loan	-	25,000	25,000
Non-cash flows:			
Reclassified from / (to) current borrowings	256,352	(87,200)	(508,226)
Change in transaction cost, unamortised	(358)	2,473	5,136
Carrying amount as at end of period	**951,787**	**1,114,154**	**695,792**

Movements in current borrowings are analysed as follows:	30.06.2021	30.06.2020	31.12.2020
Carrying amount as at 1 January	515,799	216,581	216,581
Cash flows:			
Repayment bank loan	(88,105)	(102,105)	(208,211)
Non-cash flows:			
Reclassified from / (to) non-current borrowings	(256,352)	87,200	508,226
Change in transaction cost, unamortised	354	123	164
Change in accrued interest cost	(149)	(1,005)	(960)
Carrying amount as at end of period	**171,546**	**200,794**	**515,799**

Note 11 | Interest-bearing borrowings - cont.

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.

	30.06.2021	30.06.2020	31.12.2020
Maturity within 3 months	41,053	39,053	21,053
Maturity between 3 and 6 months	47,053	67,053	67,053
Maturity between 6 and 9 months	26,053	21,053	21,053
Maturity between 9 months and 1 year	52,053	67,053	402,053
Maturity between 1 and 2 years	276,211	465,211	84,211
Maturity between 2 and 3 years	688,061	84,211	263,816
Maturity between 3 and 4 years	-	579,877	358,826
Maturity between 4 and 5 years	-	-	-
Maturity beyond 5 years	-	-	-
Total contractual amounts	**1,130,482**	**1,323,509**	**1,218,063**

Refinancing

The Group has on 30 June 2021 entered into agreements for a refinancing related to its 2021 debt maturities, as further described below.

This refinancing was accounted for as modifications of the original financial liabilities and the carrying amounts were recalculated in accordance with IFRS 9, resulting in a net modification gain being recognised as finance cost in Q2 2021.

The Odfjell Rig III Ltd. facility

The Deepsea Aberdeen facility, with USD 211 million outstanding as at 30 June 2021 across two export credit tranches and one commercial tranche, was extended on the existing terms. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

The Odfjell Drilling Services Ltd. facility

The Odfjell Drilling Services Ltd facility with USD 170 million outstanding as at 30 June 2021 was extended to ultimo June 2023. USD 20 million, repayable in November 2021 prior to amendment, will be repaid 2 July 2021. The remaining facility will be repaid by quarterly instalments of USD 5 million, with the first repayment due in February 2022. The applicable margin is 400 basis points.

Refer to Note 4 for further information regarding liquidity risk.

Available drawing facilities

The group has no available undrawn facilities as per 30 June 2021.

Covenants

The Group is compliant with all financial covenants as at 30 June 2021.

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 2020, Note 24, for further description. There have been no changes to the warrant agreements in 2020. Warrant liabilities are measured at fair value, see Note 4 above.

Refer to annual report for the year ended 31 December 2020, Note 28, for information about challenges to historic employment practices. There have been no changes since year-end.

There are no other material contingencies to be disclosed as per 30 June 2021.

Note 13 | Equity & shareholder information

	No. of shares	Nominal value	Share capital
Listed shares			USD thousands
Common shares issued as at 30 June 2021	236,783,202	USD 0.01	2,368
Preference shares			
Total issued preference shares as at 30 June 2021	16,123,125	USD 0.01	161

There are no changes in issued shares or preference shares in 2021.

Largest common shareholders at 30 June 2021	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,847,791	60.33%
J.P.Morgan Securities PLC	Nominee	11,120,189	4.70%
The Bank of New York Mellon SA/NV	Nominee	7,751,249	3.27%
Brown Brothers Harriman & Co.	Nominee	3,848,024	1.63%
Brown Brothers Harriman & Co.	Nominee	3,047,582	1.29%
BNP Paribas Securities Services	Nominee	2,841,647	1.20%
The Bank of New York Mellon SA/NV	Nominee	2,653,148	1.12%
State Street Bank and Trust Co.	Nominee	2,547,678	1.08%
State Street Bank and Trust Co.	Nominee	1,971,710	0.83%
Brown Brothers Harriman & Co.	Nominee	1,917,080	0.81%
The Northern Trust Comp, London Br	Nominee	1,848,897	0.78%
Cape Invest AS	Ordinary	1,837,000	0.78%
Citibank N.A.	Nominee	1,732,566	0.73%
Brown Brothers Harriman & Co.	Nominee	1,277,800	0.54%
The Bank of New York Mellon	Nominee	1,060,040	0.45%
J.P.Morgan Chase Bank N.A. London	Nominee	1,038,866	0.44%
The Bank of New York Mellon SA/NV	Nominee	1,029,835	0.43%
Morgan Stanley & Co. International	Ordinary	943,657	0.40%
Brown Brothers Harriman & Co.	Nominee	914,756	0.39%
Nordnet Livsforsikring AS	Ordinary	909,865	0.38%
Total 20 largest common shareholders		**193,139,380**	**81.57%**
Other common shareholders		43,643,822	18.43%
Total common shareholders		**236,783,202**	**100.00%**

Note 14 | Net financial items

USD thousands	Note	Q2 21	Q2 20	YTD 21	YTD 20	FY 20
Interest income		51	52	101	590	635
Interest expense lease liabilities	7	(623)	(573)	(1,259)	(1,179)	(2,396)
Other interest expenses		(12,186)	(16,906)	(24,922)	(35,925)	(64,145)
Other borrowing expenses (*)		1,353	(1,326)	4	(2,596)	(5,300)
Change in fair value of derivatives (**)		866	(1,932)	3,895	4,740	4,440
Net currency gain/(loss)		(297)	(3,085)	350	2,165	(2,830)
Other financial items		(31)	(129)	184	(195)	(1,202)
Net financial items		**(10,868)**	**(23,899)**	**(21,648)**	**(32,401)**	**(70,798)**

(*) Including recognised modification gain and loss related to the extension and amendment to the Odfjell Rig III Ltd. facility and the Odfjell Drilling Services Ltd. facility, as a result of recalculating amortised cost according to IFRS 9.

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

Note 15 | Related-party transactions

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.33% of the common shares. Chairman of the Board, Helene Odfjell, controls Odfjell Partners Ltd.

Susanne Munch Thore (Director) controls 3,000 (0.00%) of the common shares in the company as per 30 June 2021.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 30 June 2021.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 104,590 (0.04%) of the common shares in the company as per 30 June 2021.

There are no changes in the long term share option programme with Simen Lieungh (CEO, Odfjell Drilling AS) in 2021.

The Group have lease agreements with the related party Kokstad Holding AS (related to main shareholder). Reported lease liability to Kokstad Holding AS as at 30 June 2021 is USD 35 million, while payments in Q2 2021 and YTD 2021 amounts to USD 1 million and USD 4 million respectively.

There are no material changes in related party transactions in 2021.

Note 16 - Important events occurring after the reporting period

There have been no events after the balance sheet date with material effect on the quarterly financial statements ended 30 June 2021.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of consolidated financial statements for the period 1 January to 30 June 2021 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major transactions with related parties.

Aberdeen, 25 August 2021
Board of Directors of Odfjell Drilling Ltd.

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