Annual Report 2021

COMPETENCE FOR CHANGE

ODFJELL DRILLING

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Highlights

864

Revenue (million USD)

2.1

Backlog (billion USD)

3.0x

Leverage ratio (adj)

MODU

7 Rigs

6th generation high specification, efficient and harsh environment rigs

RIGS

2/7

Battery and hybrid solution installed on 2/7 rigs

EMPLOYEES

2,927

Employees
(as at 31. December 2021)

ENERGY

16

Fixed platforms on the NCS/ UKCS, fully integrated drilling, engineering and inspection services

WELL SERVICES

Tubular running, rental services, well intervention, wired drillpipe, casing drilling

304

EBITDA (million USD)

173

Cash (million USD)

50%

Equity ratio

CEO Letter

Simen Lieungh,
CEO Odfjell Drilling AS
(as at year-end 2021)

When I wrote this letter last year I didn't anticipate that one year on, the global crisis of the pandemic would be followed by another global crisis. In our business we often talk about not being complacent about the health, safety and security of our people. To see the safety and security of our fellow Europeans being so violently threatened is truly heart breaking. My thoughts go out to all the people affected by the war in Ukraine and Odfjell Drilling is committed to supporting humanitarian efforts.

There are certainly many challenges facing the world today and it takes focus to navigate these. I am proud of the performance delivered by our employees this year, which demonstrates that we are great at adapting and learning. Through our competent and dedicated workforce, we evolve to ensure that we are equipped to cope with an ever-changing environment.

Throughout 2021 we secured refinancing, grew backlog, progressed our ESG agenda and invested further in developing the capability and competency of our workforce. I am extremely pleased with the company's demonstrated strength and desire to strive for improvement.

The safety and security of our people continues to be our number one priority. We believe all accidents and incidents are preventable, and our target is zero injuries and failures. Whilst we saw improving QHSE performance in some areas, we had one serious and one high potential incident during the year. This is unacceptable, and lessons learned from investigations shape the QHSE improvement plans going forward. For me, safety is about attitude and engagement, being responsible and taking care of people. A good safety culture is key to success, as is our focus on sustainability.

In last year's Sustainability Report we presented our ESG focus areas, where we are looking to reduce our environmental footprint, support fair and equal treatment of all, and demonstrate good governance in how we conduct business. I am pleased that the report was received well by all our stakeholders, with a favourable rating of A- in the ESG 100, which is a rating for all companies listed on Oslo Stock Exchange. This continues to be an area of paramount focus for the business.

2021 was another busy year when it comes to securing new, and extending existing, contracts. We secured in the region of USD 600 million in backlog, demonstrating the trust our clients have in our ability to deliver efficiently and safely.

In MODU, our fleet of four owned 6th generation semi-submersibles have a strong backlog including frame agreements with major clients which we expect to give us contract work throughout 2022, 2023 and even onwards up to 2024 for some assets. Financial uptime for owned rigs on contract was high at 98%. Our drilling rig, Deepsea Stavanger returned to operations in the Norwegian Continental Shelf in April 2021 after its successful operation in South Africa the year before.

In December 2021, we announced the addition of two more assets to our managed fleet, Deepsea Mira and Deepsea Bollsta (owned by Northern Ocean Ltd). This was followed by a further announcement in February 2022 that we have agreed to provide management services for the harsh environment jack-up drilling rig West Linus with SFL Corporation Ltd.. By taking over the management of three rigs during 2022, we look forward to continuing to demonstrate that our extensive expertise used in the operation of our own fleet, can be used to optimise operations for managed rigs as well. This increase in our portfolio realises the growth ambitions of the company and gives us more capacity.

The Energy segment grew the business with new long-term contract awards, expanding the number of operational assets and providing work for many years to come. Alliances formed both internally and externally ensure that we can maximise the potential of our client's assets. Diversification into new markets and services is a key focus area for Energy, particularly given the energy transition into renewables as demonstrated with the current engagement and investment in the floating offshore wind company Odfjell Oceanwind.

Looking to the Future

The international reach of Well Services and the need to move equipment and people to different countries, meant we continued to face operational challenges due to Covid-19. Despite this, we delivered a robust performance and reached the milestone of 2 years without Lost Time Incidents. Fortunately, we are also starting to see some regions returning to more normal activity levels, with opportunities for Well Services in other sectors such as geothermal.

In our annual onshore employee survey, I was encouraged to see that despite the challenges of working from home, our employees are motivated and the trust in the company and leadership remains high. We continue to invest in people development with leadership training, and we are proud to say we welcomed 30 new apprentices to the Group this year.

2022 sees a key strategic development for the group with the announcement that we split the Odfjell Drilling Group into two entities. Well Services, Energy and Global Business Services were spun off into a new group under Odfjell Technology Ltd. This new group then has its own listing on the Oslo Stock Exchange, while MODU will continue under Odfjell Drilling Ltd.

We strongly believe that a separation will better position our businesses to execute strategies and develop shareholder value whilst capitalising on market momentum to position our companies for the future requirements that lie ahead. I will be the CEO for Odfjell Technology and be Chair of the Board for Odfjell Drilling. I am therefore handing over the mantle of CEO within Odfjell Drilling to Kjetil Gjersdal. I know he will use his many years of experience and his expertise to lead the organisation and guide Odfjell Drilling through its next chapter with great enthusiasm.

I am looking forward to 2022 with anticipation, as I believe it will be a strategically exciting year. However, it is important to note that none of this would be possible without the fantastic teams surrounding me, along with the continued support and trust of our clients and suppliers. I am truly thankful for the efforts of everyone in the continued success of Odfjell Drilling. "

Kjetil Gjersdal,
CEO Odfjell Drilling AS
(from 29.03.2022)

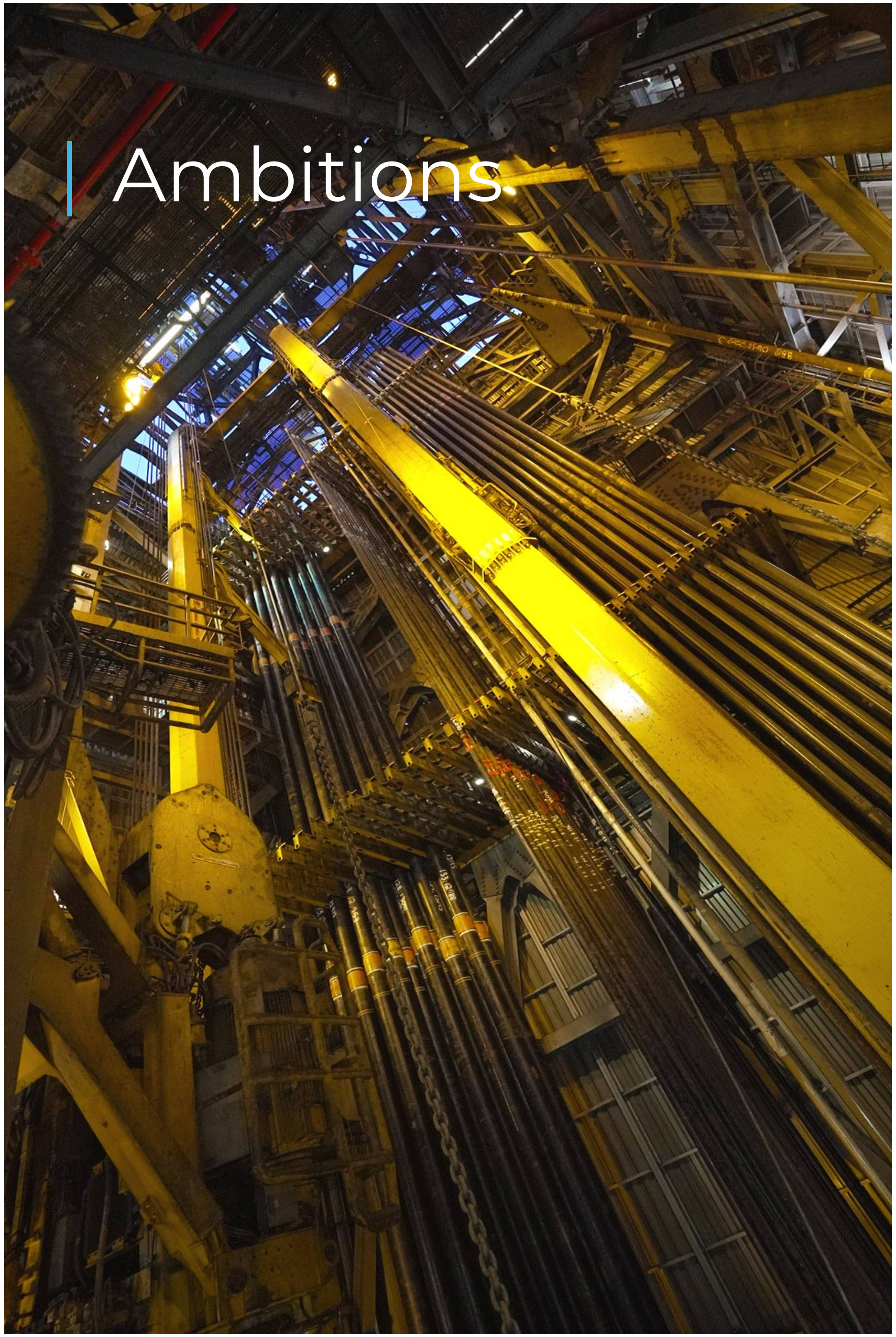
Through my 22 years with Odfjell Drilling, I have watched Simen and his predecessors steadily lead and navigate the company through many trials and tribulations. Through it, they have built on our unique Odfjell culture which puts emphasis on teamwork, people, and the delivery of safe and efficient, world-class operations. I am therefore humbled and proud to be given the trust and the opportunity to take over as the next CEO and play a part in writing this new chapter of the company's story.

As the next CEO, I intend to continue to build on the foundation that has been laid; making sure we stay in the forefront of the harsh-environment drilling segment by being the number one drilling contractor of choice. I will also ensure that our net zero emission ambition continues to move from plans and ideas to execution, and that we meet all our targets towards net zero emissions by the year 2050.

I must also say that I am privileged to take over the company during such an exciting period in its history. By expanding our fleet, we are better positioning ourselves to capitalise on the market improvements ahead whilst also becoming one of the largest harsh environment drilling contractors globally. Our recipe for success will continue to be the best assets, the best people, and a culture to match it. We have a fantastic group of employees, and their commitment is what I believe to be one of our strongest advantages.

There is no doubt 2022 will be an exciting year, and I look forward to continuing to work closely with Simen to reach our goals as he takes the position as Chair of the Odfjell Drilling Board.

Strategic Report



Ambitions

Our ambition in Odfjell Drilling is to be a preferred, trusted and safe business partner for our valued clients, chosen for our experience and expertise.

Our state-of-the-art fleet of high-tech offshore drilling rigs are developed to the highest standards and are designed for deep-water harsh environments and operations. With a long track record of success, we pride ourselves on providing complex solutions in challenging conditions.

Odfjell Drilling's overarching ambition is to always operate safely. Our target is zero accidents and incidents, and we encourage an approach built on trust, transparency and commitment to rigorous QHSE practices. We are committed to helping our people fulfill their potential to deliver the best results and value to our clients. Building enduring relationships with clients and securing long-term contracts give us visibility of future earnings.

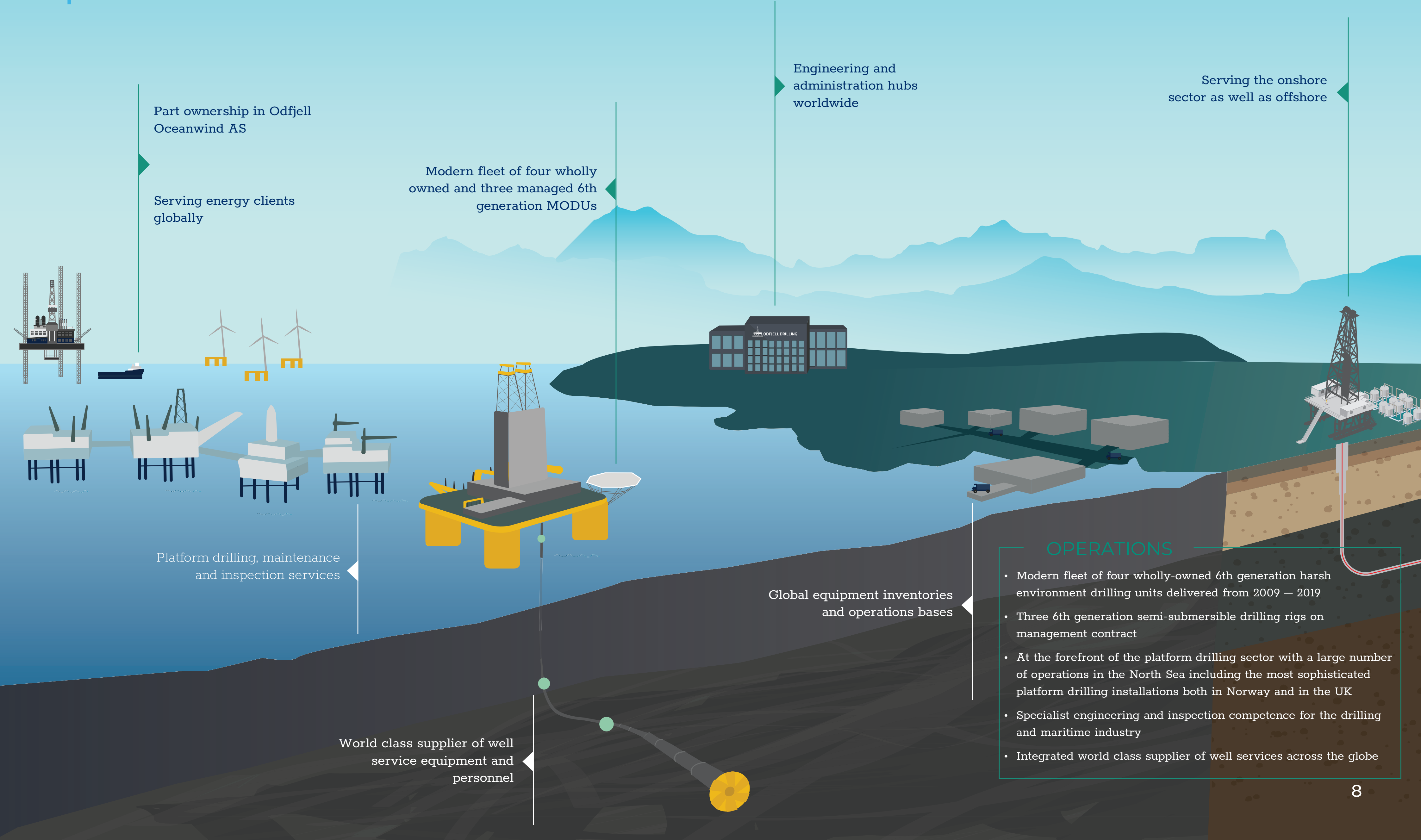
The strategy for our Mobile Offshore Drilling Units ("MODU") is to be the number one harsh environment drilling contractor and to contribute to the Group's target to reach zero emissions by 2050. Important milestones include a 40% emission reduction by 2026 and 70% by 2035. We aim to build more backlog, identify contracts to expand the fleet, explore management opportunities and enter into more frame agreements.

In a transitioning energy market, our strategy is to use our competency and decades of experience to provide support within new energy solutions and technology. Until we have a renewable energy market commercially available, we will combine efforts within the traditional core business in oil and gas, with providing support to the developing energy markets.

Our diversification strategy is largely focused on our Energy and Well Services Business Areas. Within Energy we are exploring opportunities for diversifying the service offering portfolio into different energy markets through our Innovation and Technology division. In Well Services, the strategy is to develop new product lines, technologies and services. Decommissioning and plug and abandonment services is a target area. Moreover, our investment in Odfjell Oceanwind is an opportunity to use our experience to provide support to this business as it grows in the offshore wind market.

We target continuous improvement with lean processes and digitalisation. Underpinning these strategic ambitions is flexible financing and cost-effective support services. Combined with long term contracts and visible backlog, this gives the business security. The future is based on our ability to adapt and respond to the changing environment around us, and this is something we have demonstrated we can do.

Our Business



OPERATIONS

- Modern fleet of four wholly-owned 6th generation harsh environment drilling units delivered from 2009 – 2019
- Three 6th generation semi-submersible drilling rigs on management contract
- At the forefront of the platform drilling sector with a large number of operations in the North Sea including the most sophisticated platform drilling installations both in Norway and in the UK
- Specialist engineering and inspection competence for the drilling and maritime industry
- Integrated world class supplier of well services across the globe

Worldwide Experience

20 countries where we provide services

18 offices and bases around the world

COMPANY

- Close to five decades of experience from worldwide drilling, engineering and well service operations
- Continued investment in the latest and best technological solutions
- Ambitious development program for zero emission drilling services
- Multiple revenue sources from complementary Business Areas
- Our main clients are public and state owned international and national oil companies within the oil gas sector

PEOPLE

- 2,927 employees
- Odfjell Drilling is a people business - we search for , invest in and retain people of the highest quality and competence. Our people are motivated and ambitious to deliver the best standards and services
- Highly specialised engineers supporting all Business Areas
- Highly specialised and competent offshore workforce
- Expansive management training on various levels

SUPPLY CHAIN

- Global and fully integrated part of the operations
- 6,200 suppliers on the Approved Vendor List (AVL)
- Centrally led standardised processes and policies
- Supplier qualification and quality systems
- Global logistics and inventory management

ETHICS & QUALITY

- Odfjell Drilling is committed to follow the Code of Business Conduct which ensures that our operations, corporate governance, and employees adhere to the highest standards
- Our vision is to be “chosen for experience and expertise”
- Odfjell Drilling's vision is supported by our five Core Values: committed, safety conscious, creative, competent and result oriented
- The Group vision and core values are our foundation in making sure we employ the right people for the right job at the right time
- Odfjell Drilling recognises the importance of diversity as an added value to all our business activities, and does not discriminate against employees on any grounds

STRUCTURE

- Odfjell Drilling Ltd is an exempted company incorporated in Bermuda, registration number 37607 (the "Company"). It's registered address is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda
- Odfjell Drilling Ltd is tax resident in the UK and has its head office in Aberdeen, Scotland, UK.
- The Ordinary shares of Odfjell Drilling Ltd are listed on the Oslo Stock Exchange
- Organised into three main business segments: Mobile Offshore Drilling Units (MODU), Energy and Well Services
- Operational Management are primarily located in Bergen, UK and Dubai: Rigs are allocated to and operated via Dubai registered branches of their respective UK companies;.

Mobile Offshore Drilling Units

"2021 built on our success of 2020, and we saw further contract extensions and the signing of new contracts. Our recipe for success is simply having the combination of the best assets, the best people, a winning culture, and a strong focus on safety. Credit is due to our teams for the impressive performance delivered this year, particularly against the backdrop of Covid-19. It was the strength of our organisation that meant we were able to honour our obligations and keep the operations going. Going forward, we continue our work to reach net zero emission by 2050, a goal I am deeply passionate about. You can read more about this in our case study.

Kjetil Gjersdal, EVP MODU

DEEPSEA STAVANGER / OWNERSHIP 100%

In 2021, Deepsea Stavanger returned to Norway after a successful drilling campaign for Total Energies in South Africa. Other highlights include:

- Secured more contract backlog through contracts with AkerBP, Lundin Energy and Equinor
- Drilled shallow gas pilots in close vicinity of the Vallhall platform for AkerBP
- Completed a dual drilling exploration campaign for Lundin Energy
- Set NCS Rushmore m/DHD record for exploration wells in cooperation with the AkerBP Semi Alliance team

Operational areas: Harsh environment

Design: GVA 7500 Enhanced

Client & location: Equinor, NCS

Classification: DNV GL *1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

Topside: NOV Dual Derrick. NOV AHDD MAIN and AHD AUX

BOP:NOV shaffer 18 ¾" NXT 15K 6 RAM MUX BOP

Station keeping: DP/POSMOOR

DEEPSEA NORDKAPP / OWNERSHIP 100%

In 2021, Deepsea Nordkapp drilled 5 production wells, 3 explorations wells and 1 independent shallow gas pilot. Well locations widely spread. Highlights from the above:

- Drilled 2 producers at Haltenbanken on DP during the winter season
- Successfully completed the high risk (H2S & Karst) Barents campaign for Equinor and AkerBP
- Completed Kameleon Infill West dual lateral oil producer on Alvheim
- Secured additional firm backlog through exercising of option in AkerBP contract

Operational areas: Harsh environment

Design: Moss CS 60E

Client & location: AkerBP, NCS

Classification: DNV GL *1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

Topside: NOV TDX 1250 & AHDD

BOP: Cameron TL 15K 5 RAM MUX BOP

Station keeping: DP/POSMOOR

DEEPSEA ABERDEEN / OWNERSHIP 100%

In 2021, Deepsea Aberdeen successfully mobilised from UK to Norway and obtained an AOC/SUT for operations. Other highlights include:

- Secured backlog through contracts with Wintershall Dea and Equinor
- Performed dual drilling for Wintershall Dea on the Bergknapp exploration well, drilling simultaneously in both well centres
- Successfully ran and expanded 8 5/8" expandable liner for the first time on a floater for Wintershall Dea.

Operational areas: harsh environment

Design: GVA 7500 Enhanced

Client & location Equinor, NCS

Classification: DNV GL*1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

Topside: NOV Dual Derrick. NOV AHDD MAIN and AHD AUX

BOP: NOV Shaffer 18 ¾" NXT 15K 6 RAM MUX BOP

Station keeping: DP/POSMOOR

DEEPSEA YANTAI / MANAGEMENT CONTRACT

In 2021, Deepsea Yantai has operated with Neptune Energy Norge. Highlights through the year include:

- Secured frame agreement and contract extensions with Neptune Energy
- Safely delivered P1 & Duva field to Neptune ready for production
- First mobile rig worldwide to implement NOVOS 4.3
- Started winter operations on the Fenja field at Haltenbanken
-

Operational areas: Harsh environment

Design: GM4D

Client & location Neptune Energy, NCS

Classification: DNV GL * 1A1 Column-stabilised Drilling unit(N) Clean Crane(N) DRILL(N) DYNPOS(AUTRO) E0 HELDK(S, H, N) Ice(T) POSMOOR(ATA) Winterized(Basic)

Topside: NOV 680mT AHD/ NOV 680mTHPS-1000

BOP: NOV Shaffer 5 ram

Station keeping: DP/POSMOOR

DEEPSEA ATLANTIC / OWNERSHIP 100%

In 2021, Deepsea Atlantic has continuously delivered safe and effective wells for Equinor prior to commencing Johan Sverdrup ph. 2 operations. Other highlights include:

- Several new records in efficiency KPIs in Equinor
- Delivered one of the fastest exploration well in Equinor history in one team cooperation with Equinor and Baker Hughes
- Successfully carried out drilling with steerable drilling liner on Sigyn well
- Diversified operational scope with production, exploration and P&A wells delivered safe and effective

Operational areas: harsh environment

Design: GVA 7500 Enhanced

Client & location Equinor, NCS

Classification: DNV GL*1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

Topside: NOV Dual Derrick. NOV AHDD MAIN and AHD AUX

BOP: Cameron 18 ¾ EVO 15K 4 RAM, POD

Station keeping: DP/POSMOOR

DEEPSEA MIRA / MANAGEMENT CONTRACT

Odfjell Drilling took over management February 2022

Operational areas: Harsh environment

Design: Moss CS 60E

Classification: DNV GL * 1A1 Column stabilised Drilling unit(N) Battery (Power) Crane offshore(N) DRILL(N) DYNPOS(AUTRO) E0 HELDK (S, H, CAAN) POSMOOR(ATAR), Winterized

Station keeping: DP/POSMOOR

BOP: Cameron TL, 18 ¾", 6 ram, 15 K, MUX, 2 x DL 10K annular

DEEPSEA BOLLSTA / MANAGEMENT CONTRACT

Odfjell Drilling took over management March 2022

Operational areas: Harsh environment

Design: Moss CS60E

Classification: DNV GL * 1A1 Column-stabilised Drilling unit(N) BIS BWM(T) Clean (Design) Crane-offshore(N) DRILL (N, US) DYNPOS (AUTRO-CBT, ER) E0 HELDK (S, H) ISDS (dcs2, dp2, pcs2, pms2, sds2, st2) POSMOOR(ATA) Recyclable, Winterized (Basic, -20 °C)

Station keeping: DP/POSMOOR

BOP: Cameron EVO stack, 15 K, 5 ram, 18 ¾", MUX, 2 x DL 10K annular

■ Contract ■ Options ■ Continued optionality under frame agreement

Chosen for experience and expertise

Over the course of the last five decades, Odfjell Drilling has positioned itself to be the number one harsh environment drilling contractor, by delivering safe, efficient, reliable, and first-class drilling operations. Our strategy is to be the preferred supplier to our clients; chosen for our ultra-modern assets, competent workforce, experience, and expertise.

Since the start of the company, we have owned or managed approximately 30 different rigs. Through this we have accumulated immense experience that we have utilised to build the state-of-the-art, efficient rig fleet that we have today. Our current fleet comprises four wholly owned 6th generation harsh environment Mobile Offshore Drilling Units (MODU) and three units on management contracts. In 2021, all our owned drilling rigs and our managed unit Deepsea Yantai operated under contracts with key international oil companies in some of the most demanding areas in the North Sea.

Increasing our fleet

From the beginning, Odfjell Drilling has provided additional management services for several owners of semi-submersibles, drill ships and jack-up units worldwide. For the last 2.5 years we have managed the 6th generation drilling unit, Deepsea Yantai. Although the rig was not built by us, our teams onshore and offshore, together with our client, have delivered impressive results, bringing both the Gjøa and Dua fields into production. At the end of 2021, we announced that we will take over management of the semi-submersible drilling rigs Deepsea Mira and Deepsea Bollsta, increasing our fleet to 4 owned and 3 semi-submersible drilling units on management contract. This makes Odfjell Drilling one of the biggest harsh environment drilling contractors worldwide.

Digitalisation:

To meet our ambition to have the most efficient rig fleet and enhance our operational model, we took several important digitalisation steps in 2021. These include:

Systems and support

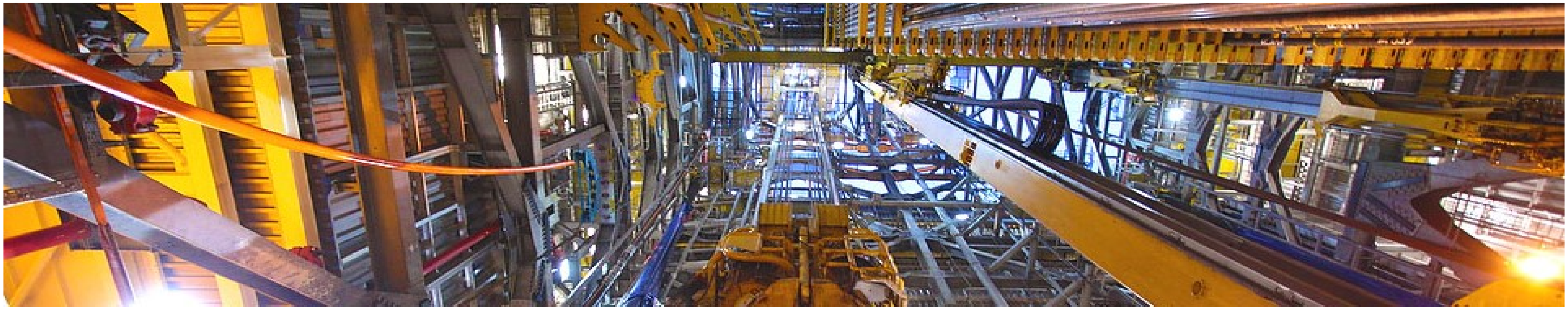
We developed and implemented digital systems for offshore safety support such as work permits, check lists and safe cards. This enables instant analysis of data and delivers time savings.

Automated Drilling Control (ADC) and drilling technology

Together with our key vendors, we developed and implemented the latest version of ADC technology in our fleet. This is a key element in our strategy of autonomous drilling operations and a central part of our digital agenda.

Research & Development (R&D) & future differentiators

We launched ‘Panorama’ as our digital performance portal. This provides our operations with information to support instant decision making, such as drilling KPIs, operational limitations and other operational guidance measures. The software gives extensive access to both historical and real time operational data. Panorama is an Odfjell Drilling developed system which will be fundamental for our digital development going forward.



Zero emission drilling

Energy efficient = lower emissions

The initial ideas around zero emission drilling began in 2015 with the Paris Agreement. It was evident that it would have a great impact on the oil and gas industry, and the last few years have proven that correct. As a result, Odfjell Drilling has a target to reduce emissions by 40% by 2026, 70% by 2035 and to be a net zero emission company by 2050.

Measuring energy efficiency

As the latest oil crisis ran its course, great improvements were made in rig efficiency with a push for more digital solutions. Reducing emissions and improving operational efficiency are two sides of the same story. However, how to run a rig energy efficiently and measure the emission reducing effect, required some thinking.

No day is the same when operating in harsh environments. It is a challenge to set a baseline for emissions across the rig fleet. External factors like wind, waves, currents and well program affect energy consumption. Each year varies with how many days a rig is in transit, drilling or idle. Therefore, looking only at total fuel consumption and emissions from year to year neither provides a good comparison, nor documents the emission reduction effect of improvement projects. Fuel consumption is therefore not only followed up as a grand total per unit or for the entire fleet. To set the right operational expectations, we have developed models for forecasting fuel consumption using operational mode and efficiency, combined with weather conditions. This reduces the impact of operations on fuel consumption comparisons and gives context and clear targets for each rig.

Operational procedures

Energy efficiency in its simplest form is running the same operation with less. This is simply good business, from an economical, operational and emissions perspective. Initial calculations showed that improved operational procedures could reduce emissions by around 10%. This implies switching off excessive equipment and running the engines more efficiently, without compromising rig operations and safety.

Incentivising good operational behaviour is a key success factor. One example is running the climate control system only during summer when air conditioning is needed. This simple exercise reduced fuel consumption by approximately 200 ton per year. Incentivising good behaviour is supported by our in-house developed digital performance portal Panorama. The dashboard provides an overview of the actual fuel consumption compared to forecast and enables analysis of any over-consumption.

Optimisation projects

Operational procedures are not enough to achieve 40% reduction by 2026. Further reductions require technical modifications. Technical modifications are tools to support a strong focus on energy optimisation and flatten the rig's energy consumption profile. In order to understand which technical features provide the greatest effect, a baseline consumption study was carried out.

Peak shaving, redundancy and spinning reserve projects

Looking at a rig's energy consumption, it is immediately evident that it varies a lot. Depending on the type of drilling operation, the energy demand can increase by 4-5 MW instantly, but only for a few seconds. These energy peaks require the rig to run multiple diesel engines on back up so that they are ready when needed. This creates a lot of waste. The key to running the engines more efficiently is shaving off the energy peaks, allowing for another 10-15% emission reduction when operating at optimal efficiency.

Odfjell Drilling invested in flywheel and battery technology and completed installation on Deepsea Atlantic in Q3 2021. Initial testing verified that the system achieves significant peak shaving. This project was developed under the DEMO 2000 program and implemented with support from the Norwegian NO_x Fund.

Another project was the installation of a Direct Current (DC) grid system. This grid distributes power over different redundancy groups without increasing the risk of single failure, allowing for a tie-in of a zero emission power source such as fuel cell technology.

Following the successful completion of these projects on Deepsea Atlantic, the same technology is currently being installed on Deepsea Nordkapp and is in installation phase on Deepsea Stavanger and Deepsea Aberdeen.

Direct power reducing projects

Even though Odfjell Drilling has state of the art 6th generation rigs, many technical solutions were implemented the same way they haved always been. Our analysis of the different energy consumers identified that several back-up systems using energy were not dimensioned for our use. For example, Deepsea Atlantic produced cooling water equivalent to 35 Olympic sized swimming pools daily, built to provide enough cooling water in operations of 35°C sea water. However, the rig spends most of its operational time in the North Sea, and only needs about 10-20% of this depending on operations. The solution was to install Variable Frequency Drives ("VFD") for sea water cooling pumps, which enable the pump to adjust the amount of water according to actual demand.

Other power reducing projects are:

- Separate VFDs for anchor winches, reducing the need to run thrusters during moored operations.
- Hydraulic Power Unit (HPU) optimisation pilot onboard Deepsea Aberdeen, reducing the number of pumps needed to supply hydraulic flow at stable pressure to drilling consumers.
- Heating, Ventilation & Air Conditioning (HVAC) optimisations and the above mentioned seasonal optimisation.

NO_x reduction

When we refer to emission reduction in the context of using less fuel, the primary target is CO_2 reduction. However, there is also technology targeting only NO_x emissions. Selective Catalytic Reduction (SCR) technolgy is used on Deepsea Nordkapp, which is demonstrated to reduce NO_x emissions by 70-80%.

Zero emission alternatives

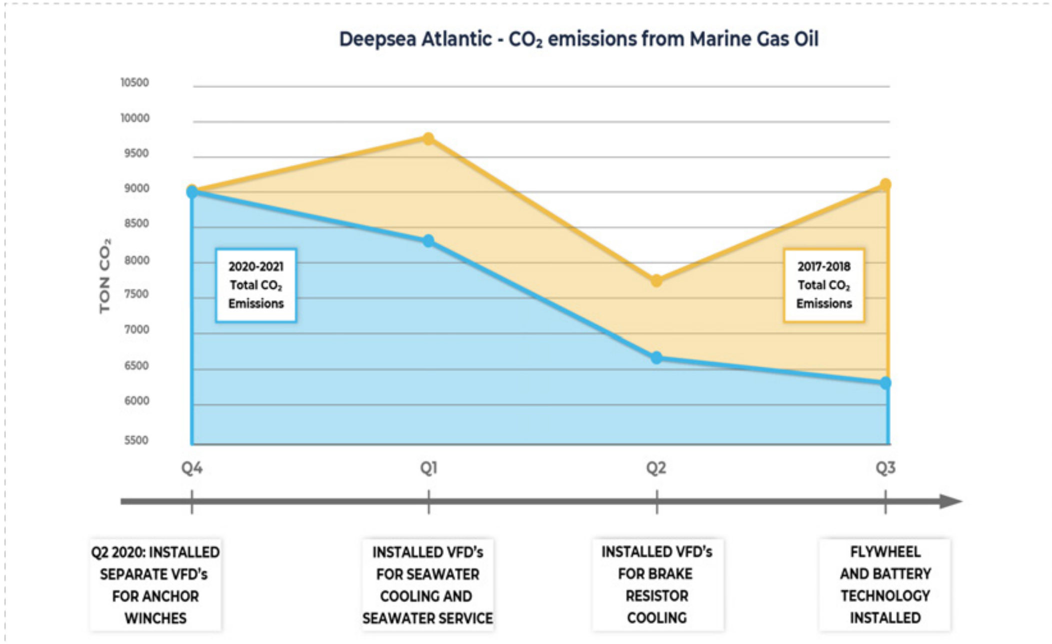
Achieving zero emissions is the primary objective for all decisions made in the energy efficiency projects. However, in order to get to zero, we need to replace Marine Gas Oil ("MGO") with a zero emission fuel.

Green fuels, such as biofuel and methanol are relatively easy to implement, being combustion based fuels requiring minor rig modifications. Hydrogen or ammonia are more challenging to implement. In general, neither of these fuels are commercially available. Green fuels must be produced without emissions to reap the full benefit of switching from MGO. Odfjell Drilling is currently conducting feasibility studies on biofuel and ammonia. Preliminary studies estimate a potential emission reduction of 50% with a 60/40 fuel mix of Hydrotreated Vegetable Oil (HVO) and MGO. Avoiding use of food crop-based biofuels is encouraged by the EU, and biofuel in the pilot will be based on waste oil.

Shore power supplied to a rig through a nearby field centre powered from shore is possible where available. The technology is mature and ready, and requires moderate modifications. However, it is costly and would require a plan for re-use of the cable once the drilling operation is completed.

One or several **Mobile Offshore Wind Units** (MOWU) can connect to a rig to supply green energy. With energy storage on the MOWUs, the rig can turn off its engines during peak wind, and turn them back on if the wind drops. The MOWU solutions are available through Odfjell Drilling's sister company, Odfjell Oceanwind. Feasibility studies for this solution are planned to be completed in 2022.

In a fourth scenario, the rig will perhaps run on a combo of MGO and biofuel and use **Carbon Capture and Storage (CCS)** technology to capture the CO_2 from the engines. Studies are completed to enable retrofitting the rig to capture, temporarily store and load the CO_2 onto ships for further processing. However, CCS will not be commercially available for a while yet.



Odfjell Drilling is supported by the Norwegian NO_x Fund to implement emission reducing rig modifications. In order to qualify to receive payment of the grants, emission reductions must be formally documented. Funding was paid for Deepsea Atlantic in Q4 2021, after successfully documenting emission reduction trends over time, and finally achieving 29.4% reduction in emissions subject to NO_x tax in Q3 2021. Project timeline and NO_x emissions from engines are presented in the figure above. The graph shows effect on emission reduction projects in the rig's operational mode, not including fuel consumption during transit or yard stay, as these two categories are not subject to NO_x excise fee.

Our fuel and emission reducing technologies work. Offshore crews are constantly improving focus and operational procedures, and continued focus and implementation of energy efficiency projects will enable us to reach our ambitious milestone in 2026 of 40% emission reduction. Preparing our rigs for zero emission operations is a work in progress, and we are looking forward to starting to pilot this concept with our clients. Introducing alternative energy sources is key to deliver our targets for 2035, and something we have to start preparing for now. Cutting emissions is an industry challenge, and must be tackled by the industry as a whole. Odfjell Drilling is committed to using our assets and market position to develop solutions for the future.

Well Services

"The prolonged challenges caused by the ongoing Covid-19 pandemic reduced our opportunity to expand in certain areas. Restricted borders in the Middle East and South East Asia gave us significant hurdles to overcome and affected our ability to mobilise personnel and equipment. We continued to keep a firm grip of costs during 2021 and re-organised several areas of the business that will benefit the Company in the mid to long term future. 2021 has seen us build considerable backlog with several large long term contract wins throughout the year the majority of which will start up in 2022. I am, once again, extremely proud of our OWS team in 2021, we have extended our LTI free milestone to over 2 years, won some great new contracts and coped well with the challenges of Covid-19. Our business is all about people and 2021 is testament to our ongoing commitment and determination to succeed during these difficult times.

George Taggart, EVP Well Services

When quality matters

Odfjell Well Services ("**OWS**") is a significant global player within the upstream oilfield service sector, providing casing and tubular running services (both automated and conventional), drilling tool and tubular rentals, as well as well-intervention and casing while drilling services. OWS employs highly skilled, competent employees based all over the globe and places high importance on the development of local nationals.

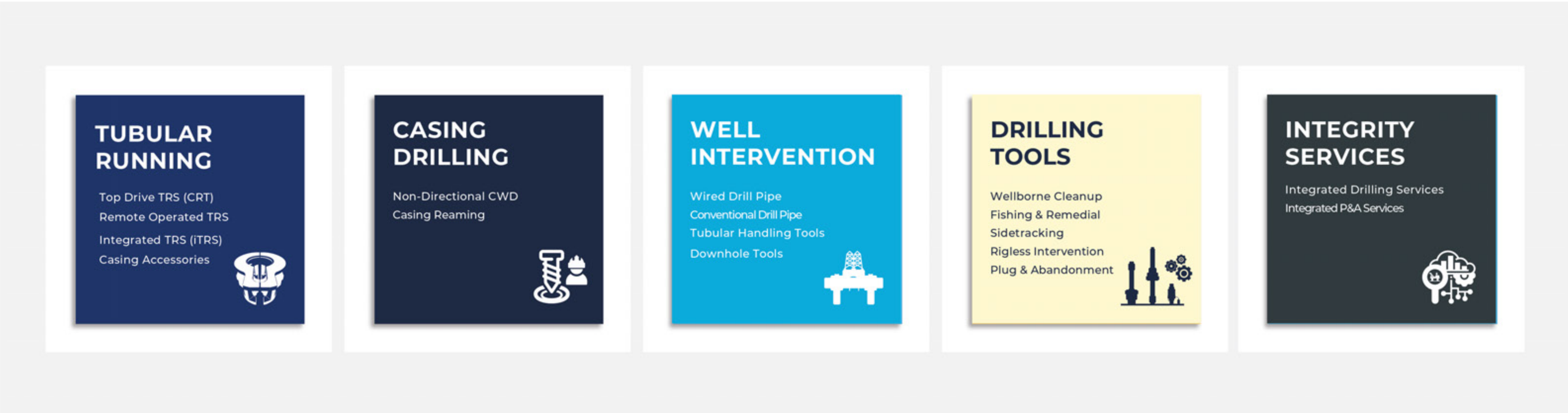
OWS is positioned as a leading company in the front line of our industry and has a global presence with 12 operating bases servicing contracts in over 20 countries. OWS provides equipment and services to a mix of major international operators, national operators and other oil, gas and geothermal clients within the North Sea (Norway, UK and the Netherlands), mainland Western and Eastern Europe, the Black Sea, the Caspian Sea, the Middle East, South East Asia and Africa. OWS currently serves approximately 200 clients worldwide.

Vision

OWS's vision is to be the partner of choice in a transitioning market through everyday operational excellence and continuous innovation:

- Dedicated to continuous improvement of competence, process and technology
- Maintaining an exceptional track record of safety, reliability and efficiency
- Environmentally conscious and committed to reducing carbon emissions through future focused technologies
- Upholding a zero harm, zero fault culture and operating in compliance with American Petroleum Institute Quality Management Standards (API Q2)
- Committed to local content and developing local nationals

OWS is a highly differentiated service provider with an in-house engineering team that designs new products and provides support to ongoing operations. We have a strong technology focus as well as a diversified portfolio of proprietary tools and equipment capable of operating in all major oil and gas regions worldwide, including harsh and ultra-deep-water environments. We continually monitor and strengthen client relationships and track future developments, ensuring that we proactively pursue any new potential opportunities. A high level of innovation and technology development is crucial to support both existing business activities and entry into new areas. OWS is already a technology leader in the field of remote operated tubular running equipment and offers the most robust range of wellbore clean-up technologies on the market.



Highlights

2021 was a challenging year due to the ongoing Covid-19 pandemic, predominantly due to the geographical reach of the business and the dependence on the international movement of equipment and personnel across borders. Nevertheless OWS has continued to demonstrate a robustness and ability to adapt and cope with adversity, with the UK and Norwegian markets remaining particularly strong during 2021.

In 2021, OWS focused on working safely and delivering time, cost and carbon emission savings to its international client base in the face of adversity. Despite extremely challenging market conditions, OWS has made some noteworthy achievements during the year:

- Strong QHSE performance – more than 2 years without any Lost Time Incidents (LTIs). This is a testament to the commitment and resilience of our staff during these difficult times
- Successfully supported an operation for Gasunie in the Netherlands who injected hydrogen into the subsurface at their Zuidwendig site which marked an important step in the development of hydrogen as part of the energy mix of the future
- Start-up of services within the bp Clair Alliance in UK, delivering integrated Tubular Running Services (TRS), provision of drilling tools, tubulars and wellbore clean up services to Clair Ridge
- ConocoPhillips exercised the first of two years optional periods for the TRS contract on the Greater Ekofisk Area
- Extended the long-term relationship with OMV Petrom securing a 5-year contract for provision of TRS services in Romania
- Awarded wired drillpipe packages for key Equinor contracts in Norway, Johan Sverdrup II and Breidablikk
- Successfully demonstrated the first hands-free delivery of a Continuous Circulation System (CCS) for Neptune on Deepsea Yantai and awarded worlds first wired, hands-free CCS package for Equinor Breidablikk project
- Awarded a 5 year contract for provision of TRS services for ARAMCO in Saudi Arabia

In addition to the achievements mentioned above, in 2021 OWS also celebrated the 50th run with their patented DrillRdillo tool. The DrillRdillo tool is a market leading, dormant casing scraper which unlike traditional operations, can be run as part of the drilling bottom hole assembly therefore eliminating the need for a dedicated wellbore clean up trip. With its first run in 2014 the tool has demonstrated its versatility in being used in a variety of applications including drilling, remedial, completion and abandonment. The technology creates the possibility to eliminate up to 2 days of rig time per well and has created savings in excess of USD 20 million to date across onshore, offshore and deepwater operations. In recent years our clients have come to rely on the DrillRdillo to reduce the carbon emissions associated with the well construction phase and going forward OWS expects to perform their 100th run in the coming year.

OWS remains well positioned for future growth in our current geographical locations, with renewed vigour to increase both our product offering and our market share in existing territories. We remain focused on anchoring our ambitions for existing product lines and creating added value through synergies with other areas in the Group. This will ensure the commercial sustainability of our business in 2022 and beyond.

Energy

"The combination of operational and engineering resources enables us to enhance delivery to our clients through integrated services and a "one team" approach. In 2021 we strengthened technical capabilities with additional resources and new competencies. Unfortunately, we saw an increase in the number of LTIs, even though safety performance in other categories improved. We must do better, and the QHSE programme for 2022 addresses this. Throughout 2021 we had very stable operations, allowing us to focus on securing new work, diversifying into new geographies and service lines, and growing the business. Strategic focus is on diversification in the changing energy market while maintaining existing business - innovation and development is key to this.

Elisabeth Haram, EVP Energy

With competence and trust we find better solutions

2021 was the first full year of our renamed Odfjell Energy Business Area, and we are already seeing the benefits of greater integration of services and thereby adding value to clients. Our cash and cost focus has delivered a profitable year despite the challenges of Covid-19 (refer to segmental results in the Board of Directors Report). We have also realised our ambition to expand services and markets and explore new diversification opportunities in changing energy markets.

We continue to deliver Platform Drilling, Engineering and Project Management, and Integrity Management services on our ongoing contracts in the oil and gas sector.

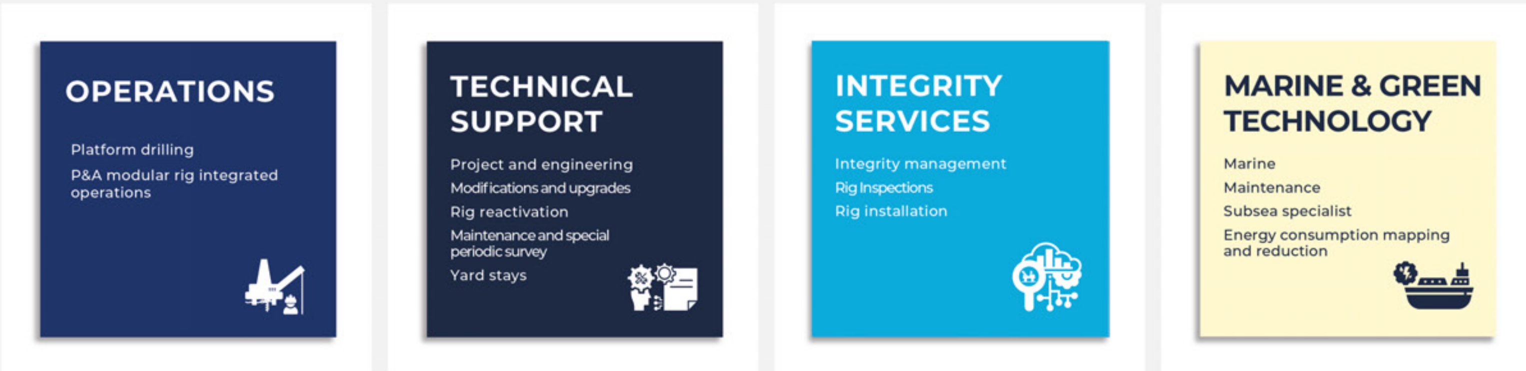
Currently, Odfjell Energy provides platform drilling services to 16 fixed installations across Norway and the UK (10 operative, 6 in maintenance mode). In addition, we are committed to growing our innovation and development division.

Contract successes

There were many contract successes in 2021 including:

- TAQA award of a 5 year contract with three 1 year extensions in the UK, expanding the portfolio of assets from the previous contract
- The extension of our Master Services Agreement with bp to February 2025 with three 2 year options thereafter, for the Clair field in the UK. Alongside this was the implementation of an Alliance Agreement with bp and Baker Hughes focussed on a performance based commercial model
- 4 years extension with Wintershall Dea in Norway for Brage, which has restarted drilling operations
- 1 year extension of the Serica contract in the UK
- Successful drill stop on Equinor's Johan Sverdrup, including an upgrade of the Blow Out Preventor control system. The successful delivery of the work scope was due to the "One Team Focus" approach in the planning phase, with seamless collaboration between Odfjell Energy, Equinor and NOV
- Incorporation of TRS in the UK Equinor contract, delivering the first fully automated Casing Running operations on the Mariner platform
- Successful reactivation of the Eldfisk 2/7-B platform and warm stacking of the Ekofisk 2/4-K

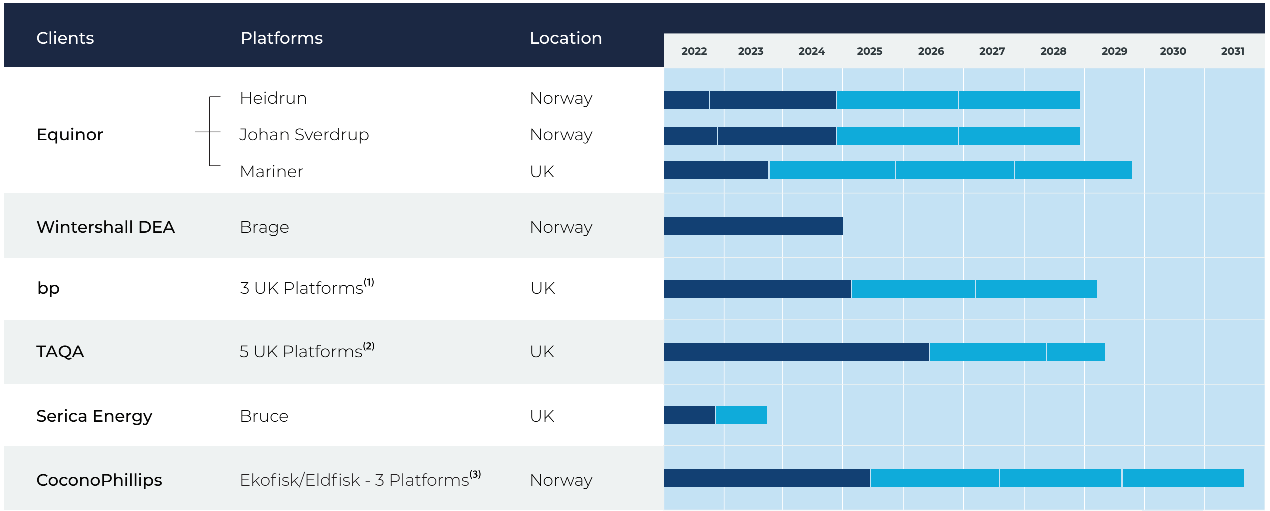
Safety is of paramount importance in all our operations. 2021 saw great improvements in decreasing medical and first aid treatments and reduced dropped object incident frequency thanks to concerted efforts and campaigns. Unfortunately, there was an increase in the Lost Time frequency rate, which is presented in the QHSE section. Turning this trend around will be a main focus area in 2022.



Highlights:

We have been successful in expanding and diversifying the service portfolio, including:

- Entered new geographies in the Middle East with consultancy services and technical support contracts
- Greatly increased our capacity and competency in Projects and Engineering, and in the Innovation and Development and Integrity Management areas. This investment in people and systems is key to developing a highly competent project organisation with a strong focus on delivering solutions facilitating the energy transition
- Established the HVAC division within Projects and Engineering with both onshore engineering specialist competence and offshore technicians
- Entered into jack up management contract with SFL Ltd for West Linus
- Provided specialist engineering support and project consultancy for Odfjell Oceanwind
- Increased collaboration and provision of integrated services to deliver efficiencies in project planning and execution, in addition to saving time and costs. We worked with the Odfjell Well Services (OWS) Business Area to incorporate TRS into current contracts. In addition, we formed the Odfjell Collaboration Alliance, together with OWS in Norway, for the provision of plug and abandonment (P&A) services. The close collaboration across service areas also made us successful in progressing to the design competition phase for a P&A tender for Repsol
- Formed alliances with industry partners such as entering into a tripartite alliance with bp and Baker Hughes to deliver exceptional performance on the Clair field in the UK. This new approach to collaborative working to maximise the success of the field was nominated as a finalist in the Business Innovation – Large Enterprise category for the Oil and Gas UK awards. In addition, we formed an alliance with Coast Center Base (CCB) in Norway to offer turnkey maritime solutions for energy optimisation and emission reduction
- Set up of our Green Technology division, with special competence within energy consumption and an ambition to reduce the need for energy to a minimum. This includes services such as screening rigs for baseline energy consumption and advising on reducing consumption
- Expanded our client base to include clients outside the oil and gas sector
- Tasked the Innovation and Development division to develop business cases for diversification into new business areas in the energy transition, including engaging third parties to assist with research into such markets
- Transitioning into Integrated operational models on Johan Sverdrup and Heidrun

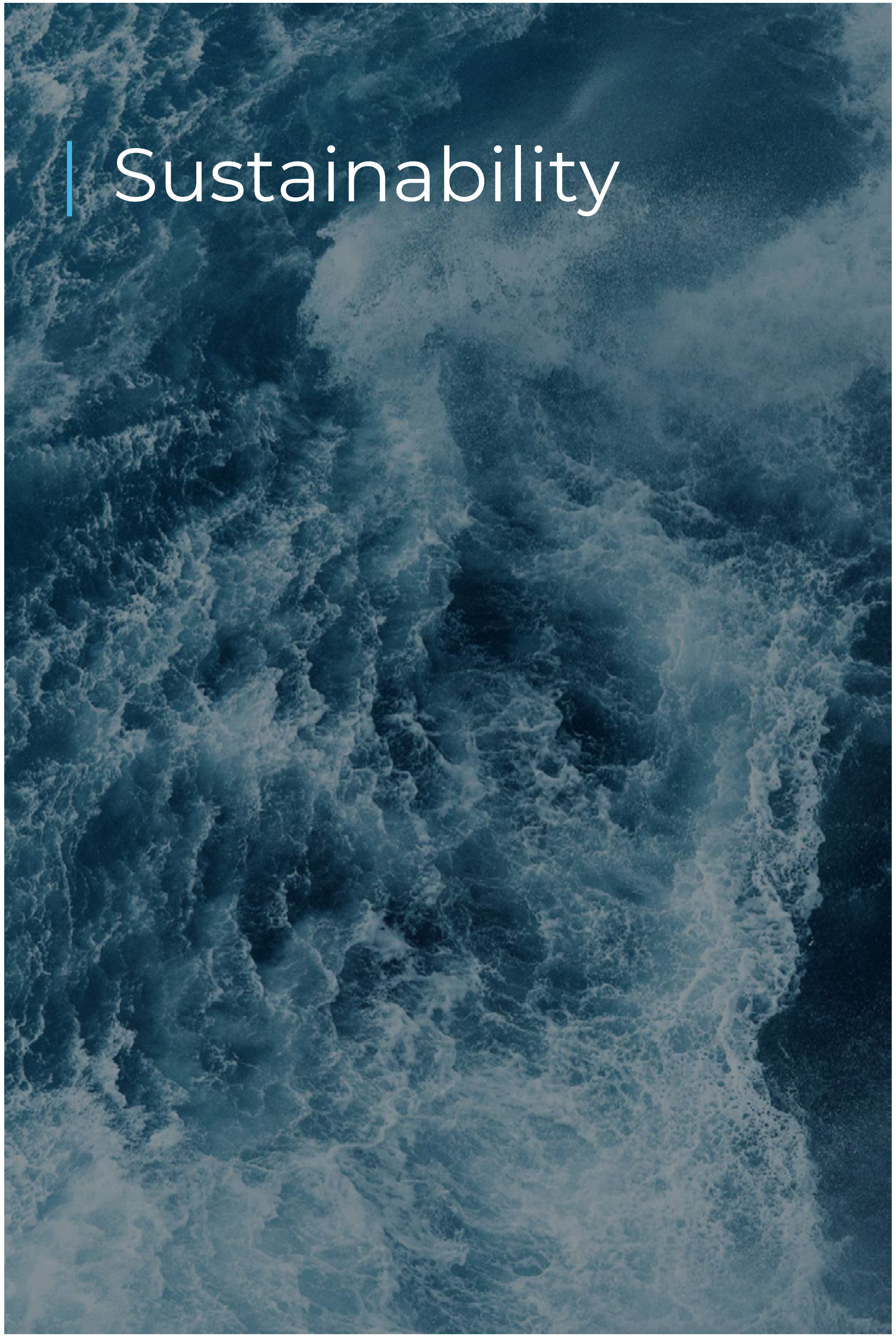


1) Clair Andrew, Clair Ridge
2) North Cormorant, Harding, Tern, Brae Alpha and East Brae
3) Eldfisk B, Ekofisk K, Ekofisk X, Greater Ekofisk Fields

Contract
Option

We will continue to provide flexible integrated services, collaborating across the supply chain to deliver safe and efficient execution of operations and projects. Our journey to reducing carbon emissions and diversifying into alternative renewable energy markets will be a main focus area and Odfjell Energy will continue to invest in strengthening competency and utilising our heritage to serve the changing energy market.

Sustainability



Environment, social responsibility and governance (ESG) strategy

The ESG strategy in the Group is based on the focus areas "Environmental Impact", "People & Safety" and "Ethics & Governance". The material and important topics under each focus area reflect the Group's significant economic, environmental, and social impacts. They are prioritised based on their impact on our stakeholders and the Group's business, and on our ability to make the greater difference based on Group capabilities.

Our 2020 Sustainability Report was the first in accordance with the Global Reporting Initiative. We have continued our efforts in 2021, which is reflected in our 2021 Sustainability Report.

How we manage sustainability

The Odfjell Drilling Ltd Board of Directors (the "Board") receives updates on sustainability matters and oversee the identification, management and mitigation of risks, including targets, policies, activities and management systems related to sustainability.

The Chief Executive Officer (CEO) and Executive Management hold the operational responsibility for sustainability performance. The corporate sustainability function is responsible for the design and implementation of the Group's ESG strategy, with input from, and in cooperation with, each of the corporate and group level functions.

The corporate human resources function and QHSE function are responsible for overseeing safety, health, working environment and security. QHSE is also central in overseeing our environmental impact. The Compliance Officer is responsible for business ethics and compliance.

A Sustainability Working Group oversee and collaborate on strategy, policy and performance, relating to sustainability activities across the Group. The working group is chaired by the VP Sustainability, and consist of representatives from HR, supply chain, QHSE and compliance.

Highlights

- An important milestone was reached with payment of the grant from the Norwegian NO_x fund after successfully documenting negative emission trends using new battery/hybrid technology. Similar technology will also be implemented on Deepsea Stavanger, Deepsea Aberdeen and Deepsea Nordkapp.
- Odfjell Energy's Green Technology division expanded the service portfolio within energy efficiency, e.g. screening rigs for baseline energy consumption and advising on reducing consumption.
- The global employee survey showed overall satisfaction with the Group's Covid-19 management.
- Project initiated to update Group's risk assessment and management of human rights.
- Launch of updated Code of Business Conduct e-learning course.

QHSE

"Even though another Covid-year has passed by, causing new risks to be managed, we have maintained a strong focus on keeping our operations safe and prudent. Incidents reported throughout the year are acted upon with corrective actions and experience transfer to prevent recurrence. Odfjell Drilling concluded the year 2021 with good results within quality and HSE, and will, through strategic actions, work purposely to ensure adequate capacity and competence in Odfjell Drilling going forward to maintain the high level of quality and HSE in all aspects of our operations.

Janike Myre, SVP QHSE

Covid-19 pandemic

Throughout 2021 we have continued to closely monitor and address the challenges presented by the Covid-19 pandemic. Measures are in place to prevent infection as far as possible and where some positive cases have occurred, our robust procedures have prevented any significant spread and the impact has been controlled. We continue to adhere to national and regional requirements and recommendations, and the status on Covid-19 management is reported regularly to the Executive Management and the Board. We remain ever vigilant over new variants.

Our Well Services (OWS) Business Area, with its international reach, has been especially vulnerable to the impact of Covid-19 and was faced with challenges regarding travel and accessing certain work locations, ultimately affecting their activity throughout the year. During 2021 we had high levels of sick leave as people take precautions and isolate when in doubt. However, as always, our teams have risen to the challenge and worked flexibly to ensure that our operations continue to deliver both efficiently and safely.

QHSE strategy

Our QHSE strategy is to maintain and develop a safe and secure, high quality operation by constantly driving continuous improvement towards zero injuries and failures. To achieve this, key actions are defined within the quality, environment, safety, and security procedures.

Quality Strategic Direction
Digital, lean and user-friendly systems
Organisational robustness
Efficient risk management
Collaboration with industry stakeholders

Safe Strategic Direction
Healthy workplace environment
Zero well control incidents
No people in the line of fire
Highest safety standard
Zero security breaches
Pandemic Management

Environmental Care Strategic Direction
Carbon footprint reduction
Energy Efficiency
Waste Management Optimisation
Eco-friendly chemicals
Prevention of spills to sea and land

Company Management System

We have a Company Management System (CMS) containing policies, processes and procedures for all aspects of our business, meeting the requirements of our owners, authorities, clients and other stakeholders. The CMS is certified to ISO 9001 Quality Management and ISO 14001 Environmental Management. It is in compliance with the ISO 45001 Occupational Health and Safety Management and ISO 31000 Risk Management. ISO 50001 Energy Management System has been integrated into the CMS where relevant.

Our Mobile Offshore Drilling Units (MODU) Business Area is certified to The International Safety Management code and the International Ship and Port Facility Security code. Well Services is certified to API Q2 Quality Management for Service Supply Organisations in the UAE and Odfjell Drilling UK Ltd is accredited by IADC for its Competence Assurance Programme.

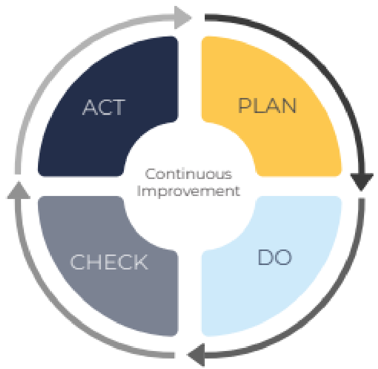
During 2021 a new level was introduced in CMS which contains the highest-level strategic policies as determined by the Board, providing the foundation upon which the organisation is built.

QHSE management

The Group works continually to maintain the highest quality standards in delivering our products and services, and in protecting people and the environment. Leadership, strong understanding of risk and a continuous focus on QHSE are essential in achieving this. QHSE is a management responsibility starting with commitment from the top, cascaded down through line management.

Odfjell Drilling promotes a safety culture based on a solid CMS underpinned by competence, commitment, mutual respect, empowerment, and involvement. Our safety culture reflects our commitment to manage risk and safety, as guided by our CMS, and to communicate and act upon safety concerns.

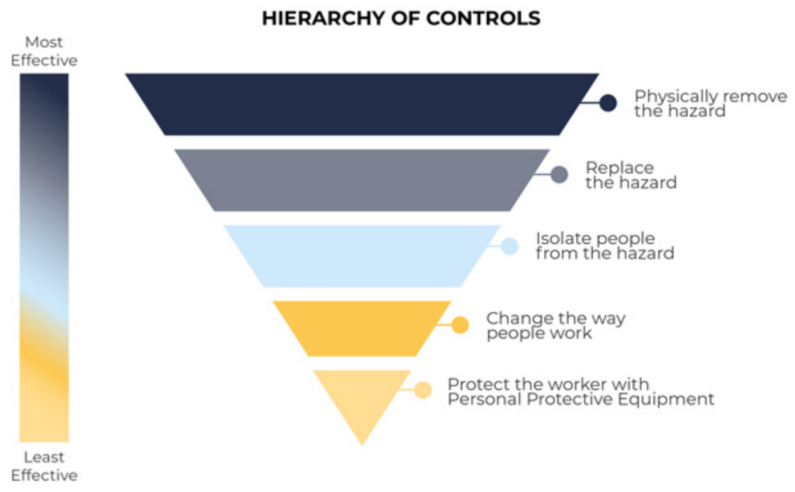
Formal management review meetings are held in all Business Areas annually, as a minimum. Business Area status (by discipline) is presented and discussed in these reviews, and decisions are made if adjustments to strategy, objectives or actions are required as a result. The Plan-Do-Check-Act cycle is applied to the processes of continual improvement which is an integral part of our work culture.



Risk based approach

Details on our risk-based approach can be found in the section How we manage risk. The HSE risk management process applies to all operations globally. Hazards are systematically identified, and associated risks are understood and managed in such a way that the risk level is reduced to as low as reasonably practicable. The Hierarchy of Controls approach is utilised to establish the most effective mitigating actions. Risk assessments are evaluated as part of pre-job and de-brief meetings to prevent incidents and capture lessons learned.

Environmental risks and opportunities are identified and managed through environmental aspects and impacts registers. The main output of this process is identification of significant environmental aspects. Any significant aspects identified form the basis for setting and formulating objectives and improvement programmes to reduce our impact on the environment.



Quality Performance	Always Safe	Environmental Care
Simplify and standardise	Prevent well control incidents	Minimise environmental impact
Digitalise tools and processes	Optimise dropped object management	Reduce carbon footprint
Enhance cyber security	Step up human factors awareness	
Strengthen client and supplier collaboration	Strengthen Control of Work	

Annual QHSE programme 2021

Odfjell Drilling's Annual QHSE programme is established at corporate level along with Business Area specific QHSE action plans. The programme is based on corporate specific strengths and weaknesses as well as input from clients and authorities. It enables us to work together, systematically, for a safe, secure, healthy, and environmentally friendly environment. In 2021 Odfjell Drilling focused on the main topics displayed to the left.

Our main priorities in 2022 are largely in line with those detailed for 2021. Based on corporate QHSE results in 2021 as well as improvement areas identified through internal management review processes, we have added additional items. Under quality performance these are to strengthen risk management and ensure competence and capacity. We have also added the implementation of a global wellness program under "Always Safe".

Safety

Of paramount importance to the Group, is working continuously to maintain the highest safety standards and protect the health of our employees and other individuals associated with our operations. Our objective is to provide a structured management approach to control safety risks, with CMS continuously maintained to ensure that safety is managed in all activities. The knowledge and experience of our workers is important, and worker participation is essential to our safety activities. Digitalisation will allow us to increase our capacity to work even more safely and efficiently. Good change and risk management processes are pivotal in achieving these goals.

The Group follows the nine Life Saving Rules set by the International Association of Oil & Gas Producers to highlight the activities most likely to lead to a fatality. We work continuously to ensure that working safely always takes precedence, and that we do not become complacent. The Always Safe initiative, which is an industry wide initiative to strengthen the safety culture, has been adopted in our operations. It selects four topics in an annual wheel closely linked to the nine Life Saving Rules and publishes learning packages which work as risk perception training.

Our Business Areas have initiated programmes such as launching monthly safety awards to recognise the best safety observation and exceptional effort in the safety arena. The PEOPLE Initiative is a series of global campaigns focusing on topics chosen for their alignment with safety, quality and business goals, including: #LiftSafe (manual and mechanical lifting safety), #Care (mental health awareness), and #ISeeYou (peer recognition scheme for an individual's representation of the Company values).

CEO Safety Performance awards 2021 were presented to three units with a high safety performance, and to one individual employee in recognition of showing significant support for the promotion of safety awareness and procedural discipline.

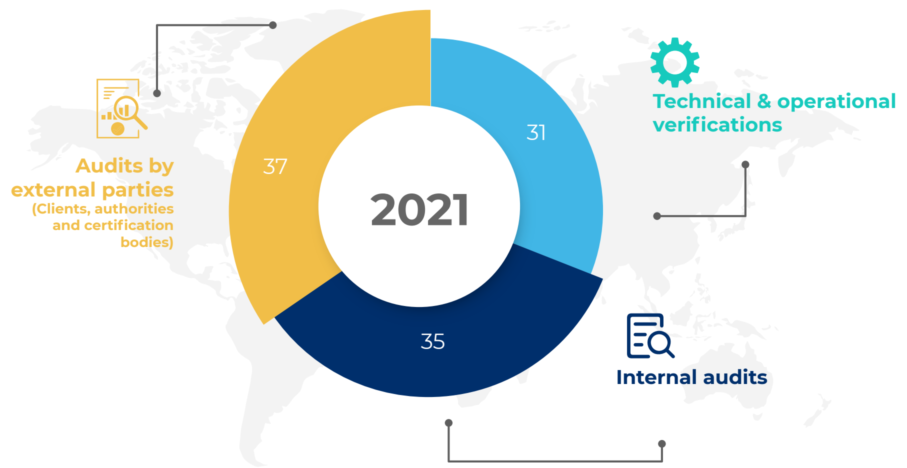
Performance measuring and monitoring

Measuring and monitoring performance are key elements of continual improvement and driving business growth. Odfjell Drilling sets targets and records performance against KPIs within HSE and other areas. Performance criteria are defined as part of strategic planning and establishment of annual programmes in agreement with clients. KPIs and other relevant data are visualised in Power BI where dashboards and reports facilitate quick management action.

QHSE audits

Annual audit plans for 2021 were developed by management at corporate and Business Area levels, selecting audits using the risk-based approach methodology. Audits verify compliance with internal and external requirements and provide auditees the opportunity to improve operations. Audits are also carried out on suppliers and contractors.

In addition to internal audits, Business Areas were subject to several audits performed by authorities, clients, and certification bodies. Whilst 2021 saw a return to physical audits in some instances, virtual audits both on and offshore continue to be a valuable option for conducting audits remotely. These utilise digital interviews and tools for sharing documentation, evidence, and visual information.



HSE incidents

In 2021, the Group managed a level of safety with no fatalities. We see an increasing lost time incident trend, however a decrease in number of medical treatments and dropped objects. None of the personal injuries resulted in permanent disability. Corrective actions are implemented based on results from incident investigations, and experience transfer carried out to prevent recurrence.

Additional actions to turn the lost time incident frequency and continue the decreasing trend in remaining HSE frequencies are reflected in the QHSE Programme 2022 and Business Area specific QHSE action plans for 2022.

The Group experienced one high potential incident (HIPO) and one serious incident in 2021.

The serious incident happened in a lifting operation in January. A person was hit by a crane hook during a lifting operation. The injury resulted in an LTI, but the injured person has recovered well and is back in his ordinary work.

The HIPO happened in November when a drill line dropped to the drill floor during a change of drill line. No one was injured as a result of this dropped object, but the investigation group evaluated the potential consequence as high.

Both incidents have been investigated. Corrective actions have been implemented, and experience transfer carried out to prevent recurrence.

The Group carries out investigations of incidents/accidents at an appropriate level in the organisation based on the severity and/or potential of the incident/accident.

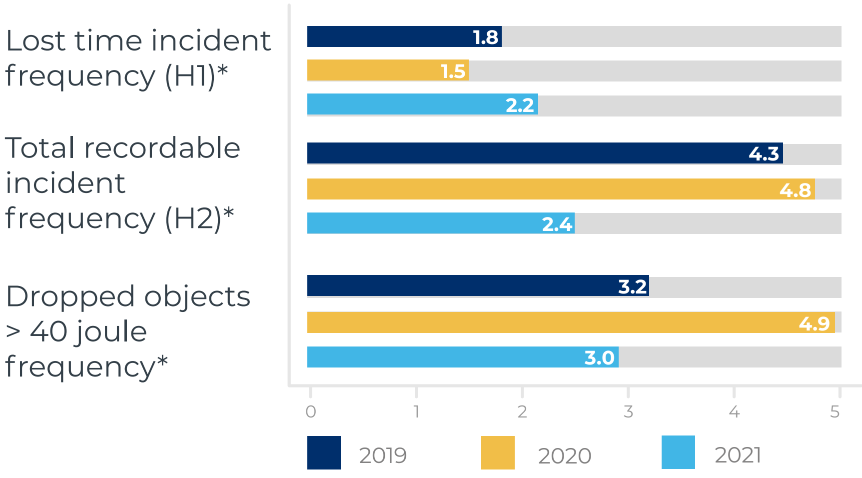
Five corporate investigations were carried out in 2021. This enabled us in each case to:

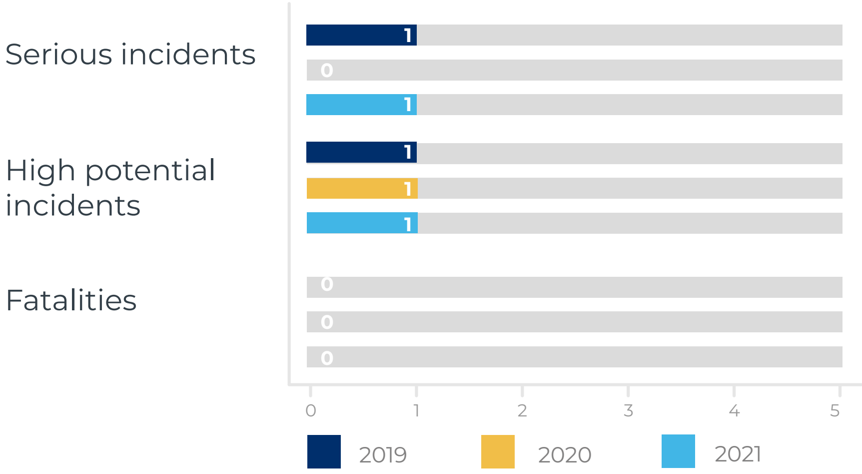
- Identify direct and root causes to take action to prevent recurrence
- Identify the circumstances of the incident with a view to possible insurance or legal claims
- Satisfy internal and regulatory incident reporting requirements

Corrective and preventive actions as defined in the investigation reports are registered in Odfjell Drilling's system for follow-up of incidents.

Corrective and preventive actions as defined in the investigation reports are registered in Odfjell Drilling's system for follow-up of incidents. Lessons learned from incidents are shared internally and with the industry to prevent recurrence by understanding the reasons for the failures occurring and applying these learnings in the future.

HSE METRICS FOR OFFSHORE ACTIVITIES





Working environment

Odfjell Drilling has a long-standing culture of cooperation with safety delegates which is based on mutual respect and involvement. Safety delegates are elected/assigned among offshore and onshore personnel to safeguard employee's interests in working environment matters. They are responsible for reporting concerns and issues to management. Odfjell Drilling has a designated Main Safety Delegate in a full-time position onshore.

The Group performs Working Environment Surveys onshore annually and offshore bi-annually in Norway which largely showed improved results year on year. Results are presented to the workforce for consultation and participation in the development of any action plans required for improvement. During 2021, a specific survey was carried out on employee welfare onshore during Covid-19 and the return to office working, the results of which were very positive. In addition, a survey was carried out on vaccination status.

Hazard identification and risk assessments are performed both in-house and by specialists from Odfjell Drilling's occupational health service provider. This includes measurements of physical factors and evaluation of the physical working environments for all offshore and workshop positions.

Sickness absence is continuously monitored. The Group's total sickness absence in 2021 was higher than normal at 5% due to the impact of Covid-19 and employees taking precautionary measures to prevent the spread of the virus.

Environment

Odfjell Drilling's CMS is certified to ISO 14001 Environmental Management System and ISO 50001 Energy Management System has been integrated into the CMS where relevant. An important element of the environmental management system is to identify environmental aspects and impacts resulting from our operations, as described in the Risk based approach section.

The life cycle approach is applied in our environmental aspects and impacts assessments. In addition to operational processes, environmental impacts are considered in design, procurement, logistics and disposal processes. The environmental management system and environmental performance are further described in our Sustainability Report.

Security

Security in Odfjell Drilling is an integrated part of QHSE designed to safeguard personnel, assets and business from potential security threats. Personal responsibilities are communicated to line management, our employees, subcontractors, and consultants.

2021 showed increased cyber security risk which is managed by the Cyber Security Task Force.

Cyber security is also a focus point in the Corporate 2022 QHSE programme.

No security breaches were reported in 2021, and one unannounced MODU Security exercise was performed with good results.

Emergency preparedness

All Business Areas have an emergency preparedness plan and annual plans for emergency drills and exercises based on governmental, internal and client expectations. The Manila Global Business Support team has established business continuity plans based on the risk of natural disasters in the area. Establishing these plans and reviewing them is in line with established QHSE management routines.

Drills, exercises, and courses for both on- and offshore personnel were somewhat hindered in 2021 by Covid-19 restrictions imposed on external training centres. Internal offshore drills were to a limited extent affected by Covid-19 restrictions such as 'social distancing'. Our MODU units were able to perform alternative drills. The Covid-19 pandemic has kept the emergency preparedness organisation continuously active.

The number of onshore drills were somewhat restricted due to mandatory home office periods throughout the year, but several drills were performed in addition to exercises with clients by use of Teams. Experiences from these exercises are used to improve our onshore emergency preparedness.

Supply Chain

Supply Chain Management ("SCM") includes all purchasing and logistics functions. It is a centralised function, enabling us to negotiate the best terms for all operational units and ensuring resources and best practices are optimised. There is a global standard policy covering Enterprise Resource Planning ("ERP") system use, ERP and SCM training, parts catalogue code structure and classification, all supported and managed centrally. Process compliance, efficiency and effectiveness are monitored for consistency across all operational units and key performance indicators reported. We continually work on reducing surplus stock and optimising inventories across operations. SCM is a critical function in ensuring operations run smoothly and digital initiatives in SCM are a significant contributor to increasing efficiency.

SCM is instrumental when looking at how to reduce waste, track and record emissions from logistics to target reductions and utilise more environmentally friendly solutions. Work is underway to map our potential and actual impact on human rights and decent working conditions throughout our supply chain.

As an international company, our suppliers are spread around the globe across numerous countries, with the highest activity levels being in Norway, UK and United Arab Emirates. The main types of suppliers to Odfjell Drilling are suppliers of drilling related equipment, spare parts and safety equipment, although various service suppliers and suppliers of operational consumables are also included in the scope.

Odfjell Drilling screens all potential new suppliers before they are added to an Approved Vendor List within our ERP system. This is to assure our governance and ethical standards are met down through the supply chain.

The supplier prequalification process includes assessments of the supplier in a variety of areas which are evaluated against Odfjell Drilling's expectations.

Vendors are assessed for their compliance with statutory regulations and compliance with the Odfjell Drilling Code of business Conduct. We look to have open and constructive relationships with our key supplier stakeholders through audits, performance reviews, collaborations and regular meetings with key frame agreement suppliers. More information can be found under responsible agents and suppliers in the Sustainability Report page 48.

382.8

Million USD
Purchase order net amount

2,329

Number of suppliers used in 2021

75,951

Number of transport order lines

103,877

Number of purchase order lines

How We Manage Risk

The Board is responsible for determining the nature and impact of principal risks it is willing to take in achieving the Group's strategic objectives. It maintains a framework of risk management and internal controls in compliance with the requirements of ISO 31000. Enterprise risks and opportunities are identified and controlled proactively in order to protect and add value to Odfjell Drilling and its stakeholders in a sustainable manner.

The Board has defined risk management as the identification, evaluation, management, mitigation, review and escalation of risks and opportunities. Risk can manifest in different forms such as QHSE, financial, legal/compliance, people, reputational, operational, climate and strategic risk.

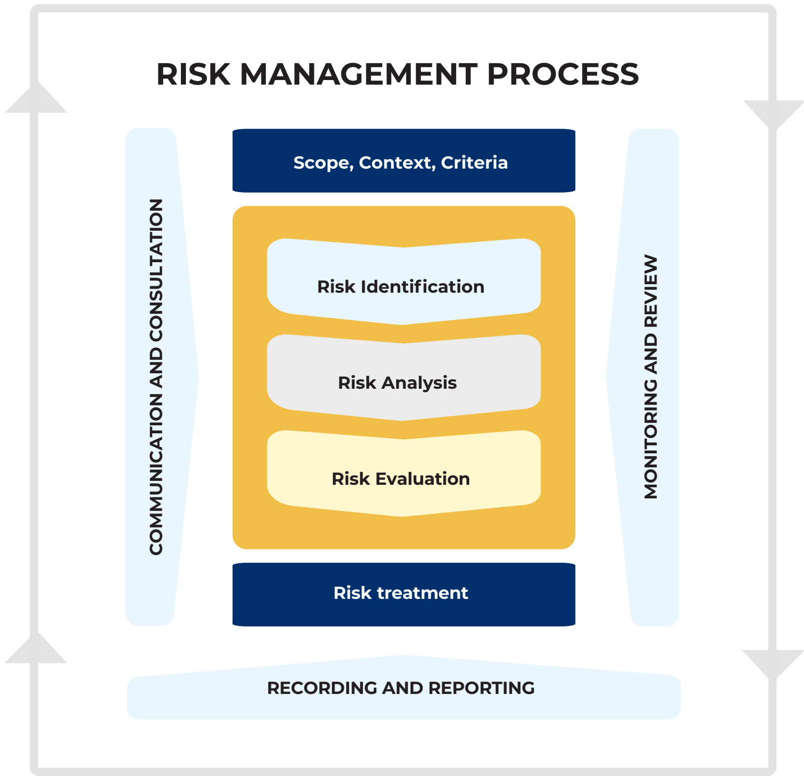
Management of risk is achieved by:

- Defining risk acceptance criteria
- Defining requirements for systematic risk management
- Considering uncertainties before decisions are taken
- Maintaining risk registers identifying risks and controls required to mitigate risks
- Rating risks based on impact and probability of occurrence
- Prioritising probability reducing measures before consequence reducing measures
- Utilising the "as low as reasonably practicable" philosophy for risk reducing measures
- Integrating risk management into the Odfjell Drilling culture and decision processes
- Establishing reporting lines for risk management
- Providing risk awareness and risk management training
- Monitoring risk management processes and their effectiveness
- Ensuring continuous improvement of risk management processes

At an operational level, Business Area operational risk and opportunity registers are maintained to manage risk, with additional registers maintained at asset or regional level. Risk registers are also created for major operations and projects, or as a result of management of change reviews. Task based risk assessments such as hazard identification are carried out at the planning stage of work. Following that, workplace assessments such as Safe Job Analysis are carried out at site and safety checks/tool box talks take place at the start of the work. A Corporate Risk Committee and a Tender Committee are in place to ensure that tender/client contracts and procurement of a certain value and/or with a certain risk profile, as well as designated operations, are subjected to a unified risk assessment procedure. Significant risks are escalated to the Board.

Risk is also managed through internal audits to ensure compliance with procedures and through lessons learned reviews, leading to revision of practices to enhance controls.

The Group acknowledges that effective risk management is a vital part of corporate governance to ensure operational continuity and to realise strategic goals. The Board believes it has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of the Group's activities. Odfjell Drilling shall continuously ensure reduction of negative risks to as low as reasonably practicable as part of its business planning and operational activities. The Board of Directors Report contains a Risk Review.



How We Engage With Stakeholders

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the Group's activities, services, or whose actions can reasonably be expected to affect the ability of the Group to implement strategies or achieve objectives. Maintaining a good stakeholder dialogue is important to adapt to external expectations and understand risks and opportunities. The Group uses stakeholder dialogue to build trust and lay the foundation for the continued development of our business. Our Sustainability Report for 2021 provides more details on how we engage with key stakeholders in regards to the Group's significant economic, environmental, and social impacts. The Board gets updates on key stakeholder relations.

Stakeholder : Shareholders and investors

Topics	Arena	Regularly	Annually	As needed	Follow up
Financial, operational performance	Quarterly reports	✓			Website
	Investor conference calls	✓			Stock exchange notifications
	Annual reports		✓		

Stakeholder : Clients

Topics	Arena	Regularly	Annually	As needed	Follow up
Operational performance	Contract reviews	✓			Website
Health and safety	Meetings	✓			Stock exchange notifications
Ethics and governance	Industry forums	✓			
	Verifications and audits	✓			

Stakeholder : Suppliers

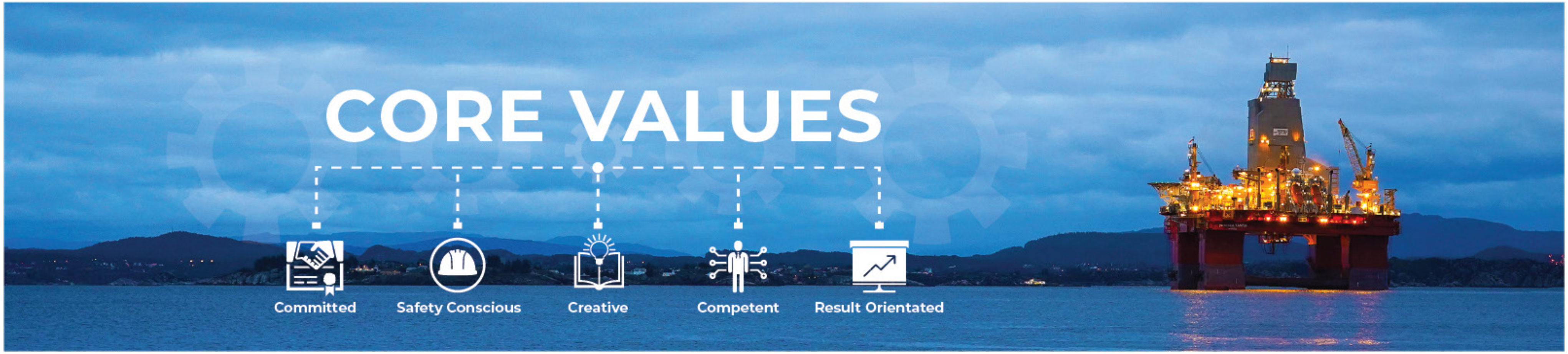
Topics	Arena	Regularly	Annually	As needed	Follow up
Contract performance	Contract reviews	✓			Contract based reporting
Health and safety	Meetings	✓			Interviews
					Supplier code of conduct

Stakeholder : Employees

Topics	Arena	Regularly	Annually	As needed	Follow up
Financial, operational performance	Working environment survey		✓	✓	Reporting line dialogue
Market information	Performance evaluations				Employee events
Health and safety	Town Halls	✓			Training programs
Working environment	Union dialogue	✓			Intranet
Human rights	Management meetings	✓			Social media

Stakeholder : Authorities

Topics	Arena	Regularly	Annually	As needed	Follow up
Operational performance	Industry forums	✓			Internal audits
Health and safety	Dialogue meetings	✓			Website
Compliance	Reporting	✓			
	Certification/approval processes	✓			
	Membership organisations	✓			



Governance

Board of Directors

Helene Odfjell, Chair

Appointed 28 January 2010

Helene Odfjell (born 1965) and a UK resident, has a Master of Business Administration from the Norwegian School of Economics (NHH), a Master of Business Administration from London Business School and is a Chartered Financial Analyst. Mrs. Odfjell has many years of experience in business and management and holds many board and management positions in the affiliates of the Company. Mrs. Odfjell has been Chair of the Board for several periods over the last few years and was appointed as a Director in September 2013. Mrs. Odfjell controls 142,847,791 shares in the Company as at year end 31 December 2021.

Harald Thorstein

Appointed 26 January 2022

Harald Thorstein (born 1979) and a UK resident, has a Master of Science Industrial Economics and Technology Management from the Norwegian University of Technology and Science. He is partner of the London based advisory firm Arkwright London Ltd and Chairman of the Board of Directors of Altus Intervention and B2 Holdings ASA, and Director of DOF Subsea. Previous positions include Seatankers, DnB Markets, and Arkwright Norway. Mr Thorstein has extensive board experience including, Archer, Deep Sea Supply, Solstad Offshore, Seadrill, Seadrill Partners, SFL Corp, Northern Offshore, Golden Ocean and Aktiv Kapital.

Alasdair Shiach

Appointed 11 December 2018, resigned 28 March 2022

Alasdair Shiach (born 1956) and a UK resident, has a Bachelor's degree in Business Studies from Robert Gordon's University (formerly RGIT) in Aberdeen, Scotland. Mr Shiach has 40 years of international experience in the Oilfield Service sector having worked for Dresser Industries and then Baker Hughes Inc. Prior to his retirement in May 2016, Mr Shiach held senior executive leadership positions at Baker Hughes, including President of the Drilling Fluids product line and President of the Russia Caspian region as well as assignments in USA, UAE, Saudi Arabia and Norway. Mr Shiach is also on the board of Welltec.

Thomas Marsoner

Appointed 11 December 2018

Thomas Marsoner (born 1960) and a UK resident, has a doctorate in Law from the University of Vienna, Austria, and a Master of Business Administration from Columbia Business School, New York. Mr Marsoner has over 30 years of experience in Investment Banking, having worked at S. G. Warburg, Salomon Brothers, Lehman Brothers and Nomura. He has extensive knowledge of M&A advisory and financing matters in a number of industries, including but not limited to, Financial Institutions, Retail and Energy. He is a Director of M&M Capital Ltd, an M&A advisory boutique he controls together with an Italian partner. Mr. Marsoner owns 20,000 shares in the Company as at year end 31 December 2021.

Simen Lieungh

Appointed 29 March 2022

Simen Lieungh (born 1960) and a Norwegian resident, has an Msc in Mechanical Engineering from the University of Trondheim. With over 30 years experience in the global oil and gas industry, he has held various management positions and was previously CEO of Aker Solutions. He is also Chairman of the Group of Offshore Contractors (GOE) Norwegian Shipowners' Association. Mr Lieungh has been with Odfjell Drilling since 2010 in the role of Chief Executive Officer of Odfjell Drilling AS before being appointed to the Board in 2022.

Susanne Munch Thore

Appointed 20 June 2018, resigned 28 March 2022

Susanne Munch Thore (born 1960) and a Norwegian resident, is a partner with the Norwegian law firm Arntzen de Besche. She has a law degree (cand. jur.) from University of Oslo, a Diploma of International Affairs from John Hopkins School of Advanced International Studies, Bologna and a Master of Laws from Georgetown University, Washington D.C. She was a partner in Wikborg Rein's Oslo office and part of the firm's Corporate Finance and Tax group. She has been Legal Officer at the Oslo Stock Exchange and has assisted foreign and Norwegian entities with mergers and acquisitions, capital market transactions and stock exchange listings, as well as transactions pertaining to company law and securities law, and has extensive experience from various boards. Mrs. Munch Thore owns 3,000 shares in the Company as at year end 31 December 2021.

Executive Management Team during 2021

Simen Lieungh, Chief Executive Officer, Odfjell Drilling AS

Employed since 2010, appointed to current position in 2010.
Mr. Lieungh holds an Msc in Mechanical Engineering from the University of Trondheim. With over 30 years experience in the global oil and gas industry, he has held various management positions and was previously CEO of Aker Solutions.

Jone Torstensen, Chief Financial Officer, Odfjell Drilling AS

Employed since 2012, appointed to current position in 2021.
Mr. Torstensen is educated in business economics and administration at Stavanger University College and the University of Bergen. He spent 18 years in Aker Kværner and Aker Solutions, during which Mr. Torstensen held various management positions across several departments including finance, project management and business development.

Kjetil Gjersdal, Executive Vice President, MODU

Employed since 2000, appointed to current position in 2016.
Mr. Gjersdal holds a Bachelor of Science in Marine & Offshore technology from Ålesund University College. He has more than 25 years' experience in the drilling and well industry. Since joining Odfjell Drilling, he has held various positions within Operations and Rig Management, such as Rig Manager, VP MODU Operations and SVP MODU International.

Elisabeth Cecilie Haram, Executive Vice President, Odfjell Energy

Employed since 2004, appointed to current position in 2020.
Ms. Haram holds a Master of Science degree in Industrial Economics from the University of Stavanger. She has held various management positions within Odfjell Drilling, such as Rig Manager, Operations Manager Platform Drilling Norway and Vice President Odfjell Well Services Norway. Ms. Haram has 17 years' experience within the offshore oil industry.

George Taggart, Executive Vice President, Well Services

Employed since 2017, appointed to current position in 2017.
Mr Taggart has technical qualifications in electrical & mechanical engineering. He has 30 years' experience in the drilling systems and equipment industry. Mr. Taggart spent almost 20 years with Aker Solutions and MHWirth in business development, operations and regional management positions and on international assignments in Norway, Azerbaijan, UAE and the USA.

Michael Boysen Nielsen, Executive Vice President, Business Development

Employed since 2015, appointed to current position in 2015.
Michael Boysen Nielsen holds a Bachelor degree in Marketing from Copenhagen Business School and exams in Strategy and Management from IMD Business School and London Business School. He has more than 20 years' experience in business development and marketing obtained whilst working for Maersk and Ocean Rig. Before joining Odfjell Drilling, Mr Nielsen was Senior Vice President, Contracts & Marketing of Ocean Rig.

Diane Stephen, General Manager, Odfjell Drilling Ltd

Employed since 2019, appointed to current position in 2021
Mrs. Stephen holds an MA Hons degree in Accountancy from the University of Aberdeen and is a qualified Chartered Accountant with over 25 years experience in oil and gas services. She has had several financial management positions in her career, including a period in the US. Prior to joining Odfjell Drilling, she worked for Petrofac in the UK as Finance Director. As well as being General Manager, Mrs. Stephen also has responsibility for Global Business Services in the UK.

Janike A. Myre, Senior Vice President, QHSE

Employed since 2002, appointed to current position in 2011.
Mrs. Myre is a business graduate from BI Norwegian Business School, and has completed master programs as well as executive management courses at BI. Mrs. Myre has more than 33 years' experience gained from leading positions in Gulf, Chevron, Sonat Offshore and Transocean.

Kurt Werner Holsæter, Senior Vice President, Human Resources

Employed since 2018, appointed to current position in 2018.
Mr. Holsæter has a college education within innovation, IT and technology. He is a registered nurse of the national school of nursing and is an ex-Norwegian Army officer. Mr. Holsæter served 15 years in the army in various administrative and management positions. Prior to joining Odfjell Drilling, he was part of the management team in NOV Norway with strategic and operational responsibility for HR in Norway, Denmark and Poland.

Audit Committee Report

Role of the committee

The audit committee in Odfjell Drilling (the "Committee") is formally appointed by the Odfjell Drilling Ltd Board and comprises two non-executive directors, who provide a diverse range of competence based on their expertise and experience.

Key responsibilities

The Committee's primary function is to assist the Board in fulfilling its responsibilities concerning the Company and the Group in respect of:

- understanding, assessing, and monitoring business and financial risks and risk management systems
- monitoring annual and interim financial reporting along with proposals to ensure its integrity
- overseeing and assessing the performance of internal control and external audit activities and reporting on outcomes
- overseeing legal and regulatory compliance
- reviewing and monitoring the independence of statutory auditors and being responsible for the selection of auditor

The Committee operates autonomously of management and refers all views and recommendations to the Board for discussion and resolution after each Committee meeting.

Membership

The Committee consists of two members of the Board, one of which is considered to be independent and have competence in accounting or auditing. Susanne Munch Thore was chair of the Committee during 2021 and was independent of the executive management of the Company. The CFO acts as secretary of the Committee.

Meetings and attendance

The Committee shall endeavour to schedule in advance 4 meetings each calendar year and interim meetings may be called if required. Members of management, auditors, or others are invited to attend meetings and provide pertinent information, as necessary. In 2021 five meetings were held. The focus was on precise and accurately prepared quarterly and annual reports, based on consistent use of accounting principles defined by IFRS. The 2021 meetings also covered the Sustainability Report, interim and year end audit process and plans, tax and compliance matters, new legislative requirements and a tender for audit services.

Documentation is provided to the Committee as preparation for meetings include reports, memos and policies provided by accounting, tax, and legal experts, both internally and externally sourced.

The Committee has focused on robust documentation of impairment testing of the mobile offshore drilling units, including the use of reasonable assumptions, estimates and judgement applied.

Matters of interest and concern were promptly reported to the Board where action or improvements were required regarding any aspect of financial reporting, risk management, internal control, compliance, or audit-related activities. The Group's internal controls have been determined by the Committee to be appropriate and effective.

Activities during the year

During the year, the Committee has considered all relevant laws, regulations, codes, and any other applicable rules. New Market Abuse Regulations came into force on 1st March 2021 for issuers listed on the Oslo Stock Exchange. These changes have been reviewed with external advisors and required measures taken to fulfil new requirements, mainly in relation to the primary insider register and notifications.

The new Auditors Act and Audit Regulation, which came into effect 1st January 2021, require the provision of audit services to be tendered every 10 years. PwC had been appointed since 2009, therefore the Committee instructed the administration to tender for these services. Following the review and assessment of tenders received, the Company appointed KPMG as auditors in September 2021. The 2021 Audit plan was presented to the Committee by KPMG, introducing the new audit team, and discussing focus areas.

The Committee has been overseeing the type and volume of other services provided by the audit firm. No indications were found that these services have had a negative impact on the auditor's independence.

How internal control and risk management was assessed

- The Committee has been using the auditor's report to the Committee as basis for understanding and improving the internal control systems of the Company.
- The Committee has also requested the assessment of certain processes and how these have been dealt with, supported by external memos from professional advisors.

Financial statements and accounting practises

The annual financial statements for the year ended 31 December 2021, as well as the external auditor's presentations, management's response, and the auditor's opinion, were reviewed by the Committee. The views of the Committee were communicated to the Board prior to its approval of the financial statements.

Corporate Governance Report

Odfjell Drilling Ltd. (the “Company”) is incorporated in Bermuda and is subject to Bermuda law. Its shares are listed on the Oslo Stock Exchange, and certain aspects of its activities are therefore governed by Norwegian law. The Company is managed and controlled from the United Kingdom (“UK”), with the Company’s head office being in Aberdeen, and the majority of the Board being UK resident, resulting in the Company being resident in the UK for tax purposes. The Company is also subject to the laws of the countries in which it operates at any time, as well as international law and conventions.

The Company seeks to comply with the applicable legal framework for companies listed on the Oslo Stock Exchange and endorses the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board, most recently revised 14 October 2021 (the “Code”). This report is prepared in accordance with section 1 of the Code and any deviations from the requirements set out in the Code are described and explained in this section of the annual report.

The Board of Directors of the Company (the “Board”) is committed to maintaining and adopting good corporate governance practices. The Board has approved a framework of policies which apply across Odfjell Drilling Ltd and its subsidiaries (the “Group”). These policies seek to regulate decision making by ensuring that decisions within the Group receive sufficient scrutiny by means of robust processes and that decisions are taken at the appropriate level. The policies are reviewed at least annually and whenever there is a change of circumstances.

The objectives of the governance framework are to have systems for communication, for the monitoring and allocation of responsibility and to ensure appropriate management motivation. This will contribute to increasing and maximising the Company’s financial results, support long-term sustainable success and increase returns to shareholders on their investments in the Company.

Governance structure

Shareholders exercise their shareholder rights at General Meetings.

In accordance with the Company’s Bye-laws, the Board has authority to manage and conduct the business of the Company. In doing so, the Board may exercise all such powers which are not by law or by the Bye-laws required to be exercised in a General Meeting. The Board is therefore responsible for the overall management, strategic direction and supervision of the executive management, who carry out the day-to-day management of the Company and Group.

The General Meeting elects the members of the Board. Biographies of the directors can be found in the Board of Directors section.

The Board convenes at least seven times per year. During the year ending 31 December 2021, the Board held fifteen meetings, attendance was as follows

Board and committee attendance

2021 attendance

Board & Committee Attendance

Directors	Board	Audit Committee
Helene Odfjell	15 / 15	5 / 5
Susanne Munch Thore	14 / 15	5 / 5
Alasdair Shiach	15 / 15	N / A
Thomas Marsoner	14 / 15	N / A

The Company's business activities

In accordance with common practice for Bermuda incorporated companies, the Company's objects, as set out in its memorandum of association, are wider and more extensive than recommended by the Code. This represents a deviation from section 2 of the Code. The Group's objectives and strategy are further described in the following:

The Group has almost 5 decades of operational experience. This experience has been used to expand internationally by offering a state-of-the-art fleet of mobile offshore drilling units to the harsh environment and ultra-deep water markets, along with engineering services, well services and platform drilling operations.

The Group's vision is to become a leading supplier of drilling units and drilling services designed to the highest environmental and safety standards in the offshore oil and gas industry. This will be done utilising the Group's substantial track record and ability to implement best practice based on experience and lessons learned. The Group has a zero incident and failures objective and aims to be a trusted and leading partner for its blue-chip clients.

The Board is responsible for the Company's and Group's annual strategic planning, and determination of objectives, strategies, and risk profile for the Group in order to create value for shareholders in a sustainable manner. The Board take account of and refer to these objectives and strategies when taking decisions as well as financial considerations. The strategies determined by the Board incorporate sustainability items, including environment, social and governance aspects, considering stakeholder considerations. Further detail can be read in our Sustainability Report. A framework of operational processes and procedures is in place to support the implementation of the strategies which the Board has established.

Equity and dividends

The Group had book equity of USD 1,268 million and a book equity ratio of 50% as of 31 December 2021. The Board regards the Group's present capital structure as appropriate and tailored to its objectives, strategy, and risk profile.

The Company's long-term objective is to make distributions of net income in the form of dividends, and in the future, the Company targets a long-term annual pay-out representing 30-40% of its net profit on a consolidated basis. The payment of any dividends will depend on several factors, including market outlook, contract backlog, cash flow generation, capital expenditure plans and funding requirements. It is also dependent on maintaining adequate financial flexibility, as well as restrictions on the payment of dividends under Bermuda law and financial covenants, along with other factors the Board may consider relevant.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised but unissued shares of the Company on such terms and conditions as it may decide. Any shares or class of shares may be issued with preferred, deferred, or other special rights, or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise, as the Company may prescribe. This represents a deviation from section 3 of the Code. However, such issuance of shares by the Company is subject to prior approval given by resolution of a General Meeting. Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board also has the power to authorise the Company's purchase of its own shares, whether for cancellation or acquiring as treasury shares, and the power to declare dividends. These powers are neither limited to specific purposes nor to a specified period as recommended in the Code.

Equal treatment of shareholders and transactions with close-related parties

The Company has two classes of shares: common shares and preference shares, of which the common shares are listed. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All holders of common shares are treated on an equal basis.

The preference shares are redeemable and do not carry any voting rights, provided, however, that they may be given voting rights as a result of an event of default under the agreement between the Company and the preference shareholder. Further, the preference shares entitle the holder to receive a preferred cash dividend and a cumulative Payment in Kind dividend.

As is common practice for Bermuda limited companies listed on the Oslo Stock Exchange, no shares in the Company carry pre-emption rights. This constitutes a deviation from section 4 of the Code.

The Board will arrange for a valuation to be obtained from an independent third party in the event of significant transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel, or closely related parties of any such parties. An independent valuation will also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

Members of the Board and employees must notify the Board if they have a significant (direct or indirect) interest in a transaction carried out by the Company and must also declare any potential conflict of interest on an annual basis. Directors are reminded to declare any such interests at the start of every board meeting. Employees are required to report potential conflicts via an internal portal which is monitored and escalated to the Board if appropriate.

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or at prevailing stock exchange prices if carried out in an alternative way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Other than as set out above, the Company does not deviate from section 4 of the Code.

Shares and negotiability

The Company's constituting documents do not impose any transfer restrictions on the Company's common shares. The Company's common shares are freely transferable in Norway, provided however, that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, (or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share) where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway (or, alternatively, such shares or votes being effectively connected to a Norwegian business activity). The purpose of this provision is to avoid the Company being deemed a "Controlled Foreign Company" pursuant to Norwegian tax rules. This represents a deviation from section 5 of the Code, but the Board does not foresee that this provision will impact on the free transferability of its shares.

The Company's preference shares, which are not listed at Oslo Stock Exchange, were subject to a one-year lock-up which ended on 29 May 2019 and may for a five-year period thereafter only be transferred all together, subject to certain conditions (unless transferred to an affiliate of the preference share investor). As per the agreement with the preference share investor, the preference shares do not carry voting rights in the Company.

Other than this, the Company does not deviate from section 5 of the Code.

General Meetings

The Board seek to ensure that the greatest possible number of shareholders may exercise their voting rights in the Company's General Meetings and that the General Meetings are an effective forum.

The Board ensures that:

- the notice, supporting documents and information on the resolutions to be considered at the General Meeting are available on the Company's website no later than 21 days before the General Meeting is held
- the resolutions and supporting documentation, if any, are sufficiently detailed, comprehensive, and specific to allow shareholders to understand and form a view on matters that are to be considered at the General Meeting
- the registration deadline, if any, for shareholders to participate at the General Meeting is set as closely as practically possible to the date of the General Meeting and pursuant to the provisions in the Bye-laws
- the Board and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board and committees, if applicable
- the members of the Board and the auditor must be invited to attend the General Meeting
- there are routines to ensure the independent chairing of the General Meeting if resolved by the General Meeting. In accordance with Bermuda law and the Bye-laws, the Chair of the Board will chair the Company's General Meetings unless otherwise resolved by a majority vote at the General Meeting. Another Director or the General Manager may also be nominated as Chair. This represents a deviation from section 6 of the Code

Shareholders who cannot be present at the General Meeting will be given the opportunity to vote using proxies. The Company will in this respect:

- provide information about the procedure for attending via proxy
- nominate a person who will be available to vote on behalf of a shareholder as their proxy
- prepare a proxy form which shall, insofar as possible, be formulated so that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

The ongoing Covid-19 pandemic created some challenges in respect of the Annual General Meeting ("AGM"). Due to these exceptional circumstances and in accordance with UK restrictions and guidance regarding the need to minimise physical meetings and avoid unnecessary travel, shareholders were asked not to attend the AGM in person and instead to vote by proxy.

Other than as mentioned above, the Company does not deviate from section 6 of the Code.

Nomination Committee

The Company does not have a Nomination Committee, and it is acknowledged that this represents a deviation from section 7 of the Code. Given that the composition of the Board is comprised of non-executive directors and that 75% are considered independent, the Board considers itself able to adequately fulfil the roles and responsibilities ordinarily assigned to a Nomination Committee.

When a need arises to appoint a new or additional director, a careful review of potential candidates will be carried out, considering the need for a diverse mix of skills, talent, and expertise, whilst also being mindful of the importance of independence. Where required, the Chair and/or the Board will also engage the assistance of external advisors to ensure that a broad and balanced composition is maintained.

Other functions which otherwise are performed by a Nomination Committee including, succession planning for senior management, keeping up to date and informed about strategic issues and commercial changes in the market, reviewing the results of Board performance evaluations and overseeing the expectations on non-executive directors in terms of time commitment, are all performed by the Board.

The Board of Directors - composition and independence during 2021

The Board was comprised of three independent non-executive directors plus the Chair who is also the majority beneficial shareholder. All the shareholder-elected members of the Board are independent of the Company's executive management. Three of the members of the Board are independent of the Company's major shareholder.

The Board is comfortable that there is no conflict of interest or compromise to the independence of directors who also serve as directors on Odfjell Drilling's subsidiary boards. Further, the Board has no concerns surrounding the external appointments held by the directors. The Chair of the Board is determined in accordance with the Company's Bye-laws rather than the General Meeting which is a deviation from the code.

The Board of Director's section provides further details on each director's background, skills and expertise as well as a record of attendance at Board meetings. As of 31 December 2021 the Board consisted of four members, two male and two female, three of which are UK resident. They possess the relevant expertise, capacity and diversity as set out in the Code and are elected on an annual basis at the AGM. The composition of the Board ensures they can attend to the common interests of all shareholders and that the Board can function effectively as a collegiate body. The Board exercises proper supervision of the management of the Company and its operations.

Other than described above, the Company does not deviate from section 8 of the Code.

The work of the Board of Directors

The Board schedules in advance seven to nine meetings per calendar year, depending on the level of activity of the Company. Interim meetings may be convened if a need arises. During 2021, as a result of the ongoing Covid-19 pandemic, all Board meetings were held virtually.

The Chair is responsible for ensuring that the Board operates effectively and carries out its duties. She does this with assistance and support from the General Manager and Corporate Secretary. The agenda for Board meetings is prepared with input and dialogue between the Chair, the General Manager, the Odfjell Drilling AS Chief Executive Officer ("CEO"), the Odfjell Drilling AS Chief Financial Officer ("CFO") and the Corporate Secretary.

The Board meetings are chaired by the Chair unless otherwise agreed by a majority of the directors attending. If the Chair is not present, the directors shall elect among themselves a Chair for the Board meeting. If the Chair has a material interest or involvement in a particular matter to be resolved by the Board, the Board will consider asking another Board member to chair the discussions regarding that particular matter.

The Board has in place a Board charter which clearly defines matters which are reserved for the decision of the Board. Delegations by the Board are recorded in Board minutes, resolutions, powers of attorney or service agreements. Subsidiaries and their branches operate within decision making guidelines involving the Board in matters of strategic importance to the Group.

The Board is responsible for the Company's strategic planning, and defining the risk profile for the business by (inter alia):

- identifying and establishing the Company's overriding goals, objectives, and strategies, including approval and endorsement of plans and budgets
- ·determining policies, monitoring and supervising the management and business of the Company
- ensuring that the accounts and the management of the assets of the Company are subject to adequate supervision and are conducted in accordance with applicable legislation
- monitoring, reviewing and approving the annual and interim financial reporting, assessing the performance of internal controls and overseeing the external auditors and legal and regulatory compliance
- taking decisions, endorsing decisions or authorising decisions to be taken, as appropriate, in matters that are of an unusual nature or of importance to the Company and the Group
- assessing the effectiveness of the Company's policies on ethics, conflicts of interest and compliance with competition law; approving various decision guidelines for the Board and any other such manuals as the Board may from time to time adopt

The Board has appointed a General Manager to undertake day to day management and activities of the Company. The Board oversees and supervises the General Manager. Group operational activities are delegated to Odfjell Drilling AS and duties and responsibilities of Odfjell Drilling AS are defined in a service agreement.

The General Manager, Odfjell Drilling AS CEO and Odfjell Drilling AS CFO are regular attendees at Company Board meetings. The Board maintains oversight of operational activities through a review of reports presented by the Odfjell Drilling AS CEO and CFO. These include operational updates, monthly financial reports, QHSE status reports, tenders and opportunities updates and quarterly and full-year results.

The Board has no member elected by and from the employees. The Board charter, referenced above, is equivalent to written instructions on the work of the Board and determination of matters which must be considered by the Board.

The Board has established an Audit Committee, whose duties include supervising and reviewing the Company's annual and interim financial reporting. This committee consists of two Board members, one of which is considered to be independent.

The Company has not established a Remuneration Committee, which is a deviation from section 9 of the Code, but it should in this respect be noted that no member of the executive management is represented at the Board. Accordingly, the Board has not considered such committee to be necessary because decisions regarding compensation of executive personnel can be decided without executive involvement by the whole Board at Board meetings.

The Board has not established any other committees.

The Board undertook a self-evaluation in December 2021 and reviewed the results in January 2022.

An annual review of directors' interests is undertaken, and directors are reminded to declare any potential conflicts at the start of every Board meeting. A register of directors' interests is maintained.

Other than described above, the Company does not deviate from section 9 of the Code.

Risk management and internal controls

The Board recognises its responsibility to secure appropriate risk management systems and internal controls.

The Company has comprehensive corporate manuals and procedures for all aspects of managing the operational business. These are continuously revised to incorporate best practice derived from experience or regulatory requirements and changes.

Routines have been established to provide frequent and relevant management reporting on operational matters. The Board is continuously updated on both the capital and liquidity situation and the performance of the business. This ensures adequate information is available for decision-making and allows the Board to respond quickly to changing conditions and requirements.

The Company has established clear and safe communication channels between employees and management to ensure effective reporting of any illegal or unethical activities in the Company, via a whistle-blower reporting portal. More information on this is contained within the Sustainability Report.

These measures ensure that considerations related to the Company's various stakeholders are an integrated part of the Company's decision-making processes and value-creation.

The Board also recognises its responsibilities with regards to the Group's values and guidelines for ethics and corporate responsibilities. Core Values reflect the Group's focus on commitment, safety consciousness, creativity, competency, and result orientation. Guidelines for the behaviour of Group representatives are outlined in Odfjell Drilling's Ethical Principles and described in detail in the Code of Business Conduct. The Core Values and Code of Business Conduct are available on www.odfjelldrilling.com.

Further information on risk management systems and internal controls can be read within the How we manage risk section and in the Board of Directors Report.

The Company does not deviate from section 10 of the Code.

Remuneration of the Board of Directors

The remuneration of the Board is decided by the shareholders at the AGM of the Company. The level of compensation to the members of the Board reflects the responsibility, expertise, and the level of activity in both the Board and any committees. The remuneration is not linked to the Company's performance and the Company does not grant share options to members of the Board.

During the year, services were provided by Arntzen de Besche, a law firm which one of the directors, Susanne Munch Thore, is a partner of. A total of 51,675 NOK was spent on legal support regarding a share agreement for Oceanwind AS between Odfjell Drilling Services Ltd and Kokstad Holding (now Odfjell Land AS) which is a related party to the Chair of the Board. Other than that, none of the members of the Board and/or companies with whom the Board members are associated, have taken on specific assignments for the Group in addition to their appointments as members of the Board in 2021.

More detailed information can be found in the Executive Remuneration Report.

The Company does not deviate from section 11 of the Code.

Remuneration of the executive management

Pursuant to Bermuda law and common practice for Bermuda incorporated companies listed on the Oslo Stock Exchange, the Board determines the remuneration of the executive management of the Company. The remuneration of executive management for the financial year 2021 can be found in the Executive Remuneration Report.

Guidelines for the remuneration of executive management can be found in the Executive Remuneration Policy which was approved by shareholders at the AGM in September 2021, which is available on our website www.odfjelldrilling.com. The policy for executive remuneration looks to use performance related remuneration by way of a variable bonus capped at 100% of salary. The Remuneration Policy is set to attract and retain executive management of sufficient calibre. It also aims to align with shareholder's interests and the Company's strategy, long term interests and financial viability.

Currently, the determination of variable bonuses is made by the Board at a holistic level, rather than by analysing detailed components with weightings, criteria, targets and performance achieved ratings.

Other than as highlighted above, the Company does not deviate from Section 12 of the Code.

Information and communication

The Company has established guidelines for reporting to the market and is committed to providing timely and precise information to its shareholders, Oslo Stock Exchange and the financial markets in general, through the Oslo Stock Exchange information system. Such information is given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations. Within these communications, the Company attempts to clarify its long-term potential, including strategies, value drivers and risk factors. The Company maintains an open and proactive policy for investor relations. Detailed investor relations information, including contact information, is available on the Company website.

The Company publishes an annual electronic financial calendar with an overview of the dates of important events such as the AGM, publishing of interim reports and financial stock market presentations.

The Company discloses all inside information as legally required unless exceptions apply and are invoked. The Company will provide information about certain events, e.g. dividends, amalgamations, mergers/demergers, changes to the share capital, issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by the Company and related parties.

The Company has considered communication with shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of the shareholders. Such communication is carried out in compliance with the provisions of applicable laws and regulations.

Information to the Company's shareholders is posted on the Company's website at the same time that it is sent to the shareholders. Shareholders can contact the Company using a dedicated Investor Relations e-mail address (IR@odfjelldrilling.com).

The Company does not deviate from section 13 of the Code.

Take-overs

The Company will follow key principles from the Code of Practice for Corporate Governance for how to act in the event of a take-over offer. In such an event, the Board will ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer.

The Board will abide by the principles of the Code, and shall:

- ensure that the offer is made to all shareholders, and on the same terms
- not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company
- strive to be transparent about the take-over situation
- not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders
- be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded

The main underlying principles shall be that the Company's common shares shall be kept freely transferable and that the Board and the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the General Meeting in accordance with applicable law. This includes only entering into agreements with a bidder to limit the Company's ability to arrange other bids if it is in the interests of the company and its shareholders. Payment of financial compensation to a bidder if the bid does not go ahead should be limited to costs incurred by the bidder.

If an offer is made for the Company's common shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether the shareholders should accept. If the Board finds itself unable to give a recommendation, it should explain the reasons for this. In the statement, it should be clear whether the views expressed are unanimous, and if this is not the case, explain the reasons why specific members of the Board have not concurred.

The Board shall consider whether to arrange a valuation from an independent expert. If the bidder is a member of the Board, close associate of a member, or someone who has recently been a member of the Board but has ceased to hold such a position or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined herein Note 35 - Related parties - transactions, receivables, liabilities and commitments). Any such valuation should either be enclosed with the Board's statement or reproduced or referred to in the statement.

The Company does not deviate from section 14 of the Code.

Auditors

Following a tender exercise, PwC were replaced by KPMG as the Company auditor following approval of the appointment by the shareholders at the General Meeting on 21 September 2021. The shareholders authorised the Board to determine the auditor's annual remuneration.

The auditor at the time participated in a meeting of the Board on 21 April 2021 in which the annual accounts were presented. During this meeting, the executive personnel left the meeting to allow the Board time with the auditor alone.

Highlights of the audit plan were presented by the new auditors to the Audit Committee. The auditor also presented a review of the Company's internal control procedures, including identified weaknesses and proposed improvements.

Processes are in place to ensure that the Company does not utilise the services of the appointed auditor for advice beyond certain thresholds determined by the Board and in law. The Board will inform the shareholders at the AGM of the remuneration paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments.

The Company does not deviate from section 15 of the Code.

Executive Remuneration Report

Introduction

The Board of Directors present the Remuneration Report for 2021, which is prepared in accordance with Section 6-16 of the Norwegian Public Limited Liability Companies Act and the guidelines contained within the Norwegian Corporate Governance Board Code of Practice. It follows the Group Remuneration Policy approved by shareholders at the AGM held on 21 June 2021, which can be found at www.odfjelldrilling.com. The statement covers the remuneration of the Board of Directors and Executive Management. The objective is to present a clear and understandable analysis of executive remuneration and how this is linked to Company performance. This statement will be presented to shareholders in the 2022 AGM and subject to an advisory vote.

The objective of the policy is to ensure remuneration packages for executives are aligned with the Company's values, business strategy, long-term interests, and sustainability, to create value for shareholders. Executive remuneration should be set at a competitive level to attract, retain, and motivate suitably qualified and experienced executives of a calibre who will deliver the Company's strategic objectives. As well as enhancing the future economic situation, the remuneration policy should also ensure environmental, sustainability and governance objectives are delivered.

2021 saw the Group continuing to deliver solid financial performance and net profit of USD 74 million. This is a reduction from the high 2020 levels of net profit of USD 143 million, but is above 2019 net profits of USD 41 million. The Group continues to secure backlog to give visibility of future revenue.

Highlights

Key events affecting remuneration

2020 showed a strong financial performance with Deepsea Stavanger operations in South Africa. Revenue recognition requirements meant revenue for the whole of this operation were reflected in 2020 whilst the costs for the end of the project and demobilisation had to be accounted for in 2021. This was a contributing factor to lower net profits being recorded in 2021.

The 2021 EBITDA of USD 304 million reflects the ongoing cost discipline and efficient operations being delivered by the Group. Circa USD 600 million of backlog was secured during 2021 and a positive cashflow before financing activities of USD 159 million allowed us to repay borrowings of USD 176 million during the year.

QHSE performance improved in most categories, the notable exception being LTI frequency. The Group continues to work hard to ensure the safety of those working for us. Good progress has been made in moving towards our net zero emission targets and the Group obtained a high rating of A- from the Norwegian Governance Group for ESG reporting. Through collaboration, employee engagement and communication, and optimal resource management, the Executive Management have led the Group through the challenges of recent years. For these reasons, the Board approved the payment of bonuses for 2021.

Key changes in directors and executive management

With effect from 1st September 2021, Atle Sæbø resigned as Chief Financial Officer (CFO) of Odfjell Drilling AS and acting CFO from that date is Jone Torstensen. Harald Thorstein joined as a director on 26 January 2022. Alasdair Shiach and Susanne Munch Thore resigned as directors on 28 March 2022 and on the same date, Simen Lieungh was appointed as a director, with Kjetil Gjersdal replacing him as CEO.

Change to policy or its application

There were no changes to the policy during the year and the only derogation from the policy is in regards to severance pay with the addition of an entitlement to 12 months severance pay for the CEO of Odfjell Drilling AS.

Overview

Remuneration of the Board of Directors

Set out below are details of the fees paid to directors and shares in the Group held by directors for the current and previous reporting period.

Fees for 2021 were increased by 6-7% as previous fees had been at the same level for 2 years. Director's fees are not linked to the performance of the Company or share options and are approved at the AGM.

Name of Director and position	Year	Board Fees	Chair fees	Audit committee	Other Directorships	Total Remuneration	No of shares owned
				USD thousands			
	2021	44	44			87	142,847,791
Helene Odfjell, Non-Executive Director and Chair	2020	37	37			74	142,476,191
	2021	44		12		55	3,000
Susanne Munch Thore, Non-Executive Director	2020	37		16		53	3,000
	2021	44			6	49	-
Alasdair Shiach, Non-Executive Director	2020	37			3	40	-
	2021	44				44	20,000
Thomas Marsoner, Non-Executive Director	2020	37				37	20,000

1. Includes shares held by related parties

2. Payments are made for additional roles such as chair, committee membership or directorship of subsidiaries. They are reflective of the time commitment required by the directors.

3. Fees are paid in currency other than USD, so amounts are subject to exchange rates applicable at the time of payment.

4. Other than reimbursement of expenses incurred in fulfilling their duties, there are no other elements of remuneration.

Remuneration of Executive Management

The table below shows the fixed and variable elements of remuneration to executive management employed at any point within the Group for the current and previous reporting period.

It should be noted that assessment of the performance of Executive Management against the criteria set out in their Personal Business Commitments (PBC) is done on a holistic level when determining the level of variable bonuses. For this reason the report does not analyse detailed components with weightings, criteria, targets and performance achieved scores.

Name of Director/ Executive and position	Year	Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total Remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
		Base Salary	Fees	Fringe benefits	One-year variable	Multi-year variable					
Remuneration of Executive management for the reported financial year from the company (Odfjell Drilling Ltd) -USD thousands											
Diane Stephen, General Manager Odfjell Drilling Ltd	2021	200		12	40			11	263	85%	15%
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bjarte Mossefinn, General Manager Odfjell Drilling Ltd	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	270		8	113				391	71%	29%
Remuneration of Executive management for the reported financial year from undertakings of the same group - USD thousands											
Simen Lieungh, CEO Odfjell Drilling AS	2021	640		52	582	1,105		13	2,391	29%	71%
	2020	586		48	523	1,163		13	2,333	28%	72%
Atle Sæbø, CFO Odfjell Drilling AS	2021	227		17	0		209	23	476	56%	44%
	2020	293		24	174			21	512	66%	34%
Jone Torstensen, CFO Odfjell Drilling AS	2021	91		9	58			4	162	64%	36%
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. Base salary - Set at a competitive rate reflecting the responsibilities of the role, the skills and experience of the individual and market conditions for the industry.

2. Fringe benefits - includes car allowances (in line with rates set across the manager population), private medical healthcare, life and income protection insurance, etc, all of which are in line with the benefit packages offered to the general employee population in the jurisdiction they are employed in.

3. Variable remuneration - The criteria and measurement for bonus payments are aligned to both Company performance against targets and an individual's personal performance and are` set out in annual Personal Business Commitments (PBC). Criteria for Company performance include achieving financial, strategic, and other targets as set in the PBC. Criteria for personal performance in PBCs are based on: QHSE results and improvement over previous year, employee satisfaction within area of responsibility, demonstration of a holistic approach to Company challenges, encouraging collaboration across the Company, optimal resource and competence management, being visible, accessible, and acting as a role model, and efficient and clear communication and provision of information in own area. The one year variable bonus payments are capped at 100% of fixed annual salary and there are no reclaim provisions.

4. Long term bonus agreement – In April 2021 Simen Lieungh was granted a long term bonus agreement for a maximum accumulated value of NOK30 million. The agreement is valid for 3 years from 1 January 2021 and is conditional upon him being CEO of Odfjell Drilling AS. (It may be renegotiated in case of any restructuring of the Group). As this amount is at the discretion of the Board it is only accounted for when paid.

5. Pension – Executive management participate in the same pension plan, on the same terms, as all other employees in the jurisdiction they are employed in.

6. Atle Sæbø's remuneration reflects the period up to 31st August 2021 when he resigned. The extraordinary item is a payment agreed upon cessation of employment.

Share options awarded or due to executive management

The intention of the share programme described below, is to link reward to the creation of value for shareholders through increased share price.

No shares have been awarded during 2021 or the prior year.

								Information regarding the reported financial year					
	The main conditions of share option plans							Opening balance		During the year		Closing balance	
Name of Director, position	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Exercise period	Strike price of the share	Share options awarded beginning of year	Share options vested	Share options awarded	Share options vested	Share options vested	Share options awarded and unvested
Simen Lieungh, CEO Odfjell Drilling AS	The programme grants the option to purchase 960,000 common exercisable shares in three tranches of 320,000	4 years	16.05.2018	16.05.2020 16.05.2021 16.05.2022	16.05.2023	Options may be exercised during the following year. Options not exercised in the first 2 tranches can be rolled forward to the next tranche and any options not exercised by the end will be terminated which is 1 year after the last vesting date on 16.05.2023	NOK26.65	960,000	320,000	-	320,000	640,000	320,000

1. As at 31 December 2021 there were no share options subject to a performance condition or to a holding period

Executive management share ownership and terms as at 31 December 2021

Name and position of executive management	Shares owned	Notice period & severance pay entitlement	Pension scheme
Diane Stephen, General Manager Odfjell Drilling Ltd	0	3 months	Standard UK defined contribution scheme
Simen Lieungh, CEO Odfjell Drilling AS	104,590	6 months + 12 months Severance Pay after 2 years in position	Standard Norway defined contribution pension scheme
Jone Torstensen, CFO Odfjell Drilling AS	0	6 months	Standard Norway defined contribution pension scheme

Comparison of remuneration and Company performance over 5 years

The table below sets out the development in executive remuneration along with key indicators of the Group's performance and the development of general employee remuneration.

Annual change	2017	% change on prior year	2018	% change on prior year	2019	% change on prior year	2020	% change on prior year	2021	% change on prior year
Director's and Executive's remuneration - USD thousands										
Helene Odfjell, Non-Executive Director and Chair	27	(10%)	28	4%	85	204%	74	(13%)	87	18%
Susanne Munch Thore, Non-Executive Director	N/A		N/A		36		53	47%	55	5%
Alasdair Shiach, Non-Executive Director	N/A		N/A		22		40	82%	49	21%
Thomas Marsoner, Non-Executive Director	N/A		N/A		22		37	68%	44	18%
Diane Stephen, General Manager Odfjell Drilling Ltd	N/A		N/A		N/A		N/A		223	
Simen Lieungh, CEO Odfjell Drilling AS	785	4%	1,005	28%	2,631	162%	2,333	(11%)	1,809	(22%)
Atle Sæbø, CFO Odfjell Drilling AS	402	(66%)	540	34%	537	(1%)	512	(5%)	476	(7%)
Jone Torstensen, CFO Odfjell Drilling AS	N/A		N/A		N/A		N/A		104	
Group Performance - USD Thousands										
EBITDA	273,720	(4%)	259,147	(5%)	331,759	28%	420,403	27%	303,541	(28%)
Net profit	35,353	(156%)	27,350	(23%)	40,820	49%	143,304	251%	73,852	(48%)
Backlog	2,600,000	(7%)	2,400,000	(8%)	2,300,000	(4%)	2,300,000	0%	2,100,000	(9%)
Leverage ratio	4.1	(7%)	3.8	(7%)	3.8	0%	2.5	(34%)	3	20%
Average remuneration on a full-time equivalent basis of employee - USD thousands										
Employees of the Company	N/A		N/A		267		252	(6%)	167	(34%)
Employees of the Group	112	35%	113	1%	111	(2%)	110	(1%)	117	6%

Board Of Directors Report

Odfjell Drilling Ltd. (the “Company”) is the ultimate parent company of the Odfjell Drilling group, comprised of the Company and its subsidiaries (the “Group”). Offering integrated offshore drilling, well services and engineering services, the Group has almost 5 decades of experience. The Group owns and operates a fleet of high quality mid-water to ultra-deep-water harsh environment mobile offshore drilling units. With a presence in several regions worldwide, the Group supports a client base consisting primarily of major oil and gas companies. In 2021, the Group generated operating revenues of USD 864 million and a net profit of USD 74 million. The Company has been listed on the Oslo Stock Exchange since 2013.

Business and market overview

History

Odfjell Drilling was founded in 1973 and began operating as a drilling contractor in 1974. Over the past 48 years the business has built a solid reputation as a trusted drilling partner and services supplier – one that is focused on delivering quality, value, and results for its growing client base in a safe manner.

The Group has extensive contracting experience covering all aspects of operations and the manning of fixed and mobile installations, well services and platform engineering work. Odfjell Drilling is a truly international business, conducting activities in over 20 countries. The Group has operational expertise in semi-submersibles, jack-up platforms and drillships, as well as modular drilling and well intervention rigs.

Corporate structure

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

Information regarding related parties can be found at Note 35 - Related parties - transactions, receivables, liabilities and commitments.

The Group is organised into three main business segments:

- Mobile Offshore Drilling Units (MODU)
- Energy
- Well Services (OWS)

Corporate strategy

The mission of Odfjell Drilling is to continue to be an experienced, competence-driven international drilling contractor for harsh and deepwater operations, chosen by clients for our expertise and reputation.

Quality, Health, Safety and Environment Management are of paramount importance to Odfjell Drilling, and we strive for high quality performance and safe and secure operations through continuous improvement programmes. We aim for organisational robustness, zero injuries and failures, strong cyber and physical security, and stringent well controls, delivered by a competent and motivated workforce.

Our onshore support centres work collaboratively in real time with our operations teams.

This philosophy defines not only the team-focused character of the Group, but also the way we run our rigs. We have invested in onshore support centres to operate as the nerve centres of our offshore rigs, providing the best technological and management support to back up the hands-on expertise of our colleagues at sea. This integrated approach delivers tangible benefits for our clients, namely:

- Increased efficiency
- Reduced down time
- Reduced costs
- Improved planning and security

We have a clearly defined process for developing and managing strategic direction which involves analysis, planning, monitoring, and execution. Our corporate strategy and business model is explained in more detail in the Strategic Report.

Core Values

CORE VALUES

- Committed
- Safety Conscious
- Creative
- Competent
- Result Orientated

Odfjell Drilling has identified these as our five Core Values that help define and instruct our business.

Equity and shares

The Group had book equity of USD 1,268 million and a book equity ratio of 50% as at 31 December 2021.

The Company has only one class of ordinary shares, as well as preference shares. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All shareholders are treated on an equal basis.

Preference shares are issued to an affiliate of Akastor ASA and do not carry any voting rights. The preference shares entitle the holder(s) to a preferred payment in kind dividend of 5% per annum, capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually.

The shares and negotiability section of the Corporate Governance Report details the transferability of common shares.

The number of ordinary shares issued in Odfjell Drilling Ltd. as at 31 December 2021 is 236,783,202.

On 30 May 2018 the Company issued warrants for 5,925,000 ordinary shares for a total consideration of USD 1.00. The warrants remain exercisable in six equal tranches from 2019 to 2024.

The Company has not established any share purchase program for employees as at 31 December 2021.

The Company is not aware of any shareholder agreements or any other agreements which limit trading of the Company's ordinary shares or voting rights as at 31 December 2021.

Taxation

The Company and a number of its subsidiaries, are governed from and tax resident in the United Kingdom. Three out of our four directors of the Company are UK residents. The Company has published its tax strategy on its website in compliance with the UK Finance Act 2016 Schedule 19.

The overall aim of the tax strategy is to support the business by maintaining a sustainable tax rate, while mitigating tax risks and complying with rules and regulations in the applicable jurisdictions in which Odfjell Drilling operates.

The Group maintains internal policies and procedures to support its tax control framework and provides training to its personnel to manage tax risks.

The tax strategy aligns to the Group's wider risk and control framework. Key risks and issues related to tax are escalated to and considered by the Group Audit Committee and Board of Directors on a regular basis. Additional information can be found within How we manage Risk.

The Group operates in approximately 20 countries and is exposed to a variety of tax risks as follows:

- Tax compliance and reporting
- Transactional
- Reputational

Tax risks are managed by the Audit Committee. Where appropriate, the Group looks to engage with tax authorities to disclose, discuss and resolve issues, risks, and uncertain tax positions. The subjective nature of global tax legislation means that it is often not possible to mitigate all known tax risks. As a result, at any given time, the Group may be exposed to financial and reputational risks arising from its tax affairs.

The Group acknowledges its responsibility to pay the level of tax required by the laws of the jurisdictions in which it operates and also its responsibility to its shareholders to structure its affairs in an efficient manner.

The Group seeks to comply with its tax filing, tax reporting and tax payment obligations globally and to foster good relationships with tax authorities.

Focus areas

During 2021, Odfjell Drilling has continued to look for continual improvement and explore growth and diversification opportunities. We have initiated projects to ensure that we adapt to changes in the energy market. Odfjell Drilling strives to be competitive in everything that we do and to be resilient to external factors affecting the market.

Covid-19

The Covid-19 pandemic has had a significant impact on our business in terms of us having to adapt and adjust our ways of working. We have managed to control the situation and minimise disruption caused by absences, enhanced hygiene routines and testing. Support has been given to staff to facilitate working from home where this has been necessary, and we are trialling a flexible working solution to allow staff to use a mixture of home and office working. We will continue to follow the guidelines set out by local authorities to protect the health and wellbeing of our employees.

Environment, Social and Governance (ESG)

ESG is one of our top priorities. In prior years, our efforts have been focussed on developing a strategy and a reporting framework. The aim for 2021 was to operationalise this strategy and for 2022 we are looking to improve and maintain what we have created. The Global Reporting Initiative framework is used to drive continuous improvement in ESG efforts, and our focus is on creating clear ESG ownership in all Business Areas and functions. More detail can be read in our Sustainability Report which is available at www.odfjelldrilling.com.

Growth

We have seen demand for our units exceed supply in some instances and are exploring how we can expand our capacity in a commercially secure manner. This means taking on the right assets, meeting the demands of the market and with visibility of future work. The end of the year saw us sign up two further assets to our management portfolio with one further asset added in 2022.

In addition, we see opportunities to grow in the decommissioning plug and abandonment area, particularly in the UK. The investment in our engineering and specialist services within Energy have also positioned us to grow, offering new services and engaging with new sectors.

Diversification

With the move to sustainable energy sources, we are researching opportunities to diversify into renewables or other sectors supporting the emerging energy markets. Our skills and experience lend themselves to certain areas, and already we have ventured into offshore wind through our investment in and support given to Odfjell Oceanwind.

Segment Overview

Activity for the three main business segments is summarised below.

Mobile Offshore Drilling Units

The Group's owned semi-submersible drilling units operated primarily in Norway in 2021. A number of key new contracts and contract extensions were awarded during 2021 as detailed in the Business Area updates in Our Business section.

Deepsea Atlantic was drilling on the Norwegian Continental Shelf (NCS) during 2021 under the Master Frame Agreement (MFA) with Equinor.

Deepsea Stavanger returned to Norway in Q1 2021 and demobilised after drilling in South Africa. It commenced a five well contract with Aker BP in April before moving on to drilling operations with Lundin until November. There was then a downtime period until the end of the year and the startup on new wells for Lundin in January 2022. A contract has been signed with Equinor for a firm period of 5 wells commencing Q1 2022.

Deepsea Aberdeen returned to Norway from the UK to commence operations for Wintershall Dea in February 2021. Under the terms of cancellation for the previous contract with BP Exploration Operating Company Ltd, Odfjell Drilling is compensated with the payment of an early termination fee up to the contract's original expiry date of April 2022. This is subject to a reduction in termination fees while the rig is operating for Wintershall Dea.

Deepsea Nordkapp has been drilling in a number of locations for Equinor and Aker BP. Aker BP has exercised the first 12 month option for the rig which runs up to June 2023.

Deepsea Yantai, operated under a management contract for Neptune throughout the year.

Energy

Energy has secured further backlog throughout 2021 with contract extensions and the award of new contracts. As well as providing the core services of Platform Drilling, Engineering and Project Management, investment has been made during the year to grow other service offerings such as Marine and Green Technology Consultancy and Integrity Management including Inspection. Collaboration has been key, both internally with Well Services and externally with alliances formed with clients and other suppliers. We continue to provide, integrated drilling services including onshore support, production drilling and completion, well maintenance, plugging and abandonment, facility maintenance planning and project management for maintenance and modifications.

Well Services

Odfjell Well Services provides the most up to date technology available for hands-free tubular running operations, high specification drilling tubulars and market-leading downhole tools. In addition, we have a vast inventory of equipment and our in-house engineering is highly specialised in the development of new technology. Our business has a global presence with over 12 operating bases servicing contracts in around 20 countries, positioning Odfjell Well Services as a leading company in the front line of our industry. With approximately 200 clients worldwide, we service a range of sectors including hydrogen and geothermal.

The impact of the Covid-19 pandemic is particularly pronounced for Well Services given the barriers to international movement and cross border activity, but the business has responded to these challenges.

More detail regarding the activities of each business segment can be found in the Strategic Report.

Outlook

Oil price increased over 2021 and this higher oil price encourages oil and gas companies to maintain production on their current fields and invest in technology to increase recovery rates. Global demand for energy is increasing, driven by moving on from the worst of the Covid-19 pandemic, expected growth in the population, higher living standards and economic expansion, as well as concerns over supply as a result of the conflict in Ukraine.

The energy transition is key to the future of all, but there is a gap between supply of renewable energy and demand. Oil and gas is therefore expected to remain a vital part of the energy mix in the foreseeable future and new exploration will be required.

The supply of rigs has reduced since 2014, and we expect more rigs to be retired from the market in the next few years. Whilst there is an oversupply of rigs in some segments just now, we feel the harsh water environment which Odfjell Drilling operates in, is in balance, and we foresee sufficient demand for our rigs. The strong requirement for high efficiency, combined with low emissions and technological advancement, favours contractors such as ourselves with these 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.

Deepsea Atlantic commenced the Johan Sverdrup II development project with Equinor on 31 December 2021 for 12 wells + 5 optional.

After completing 1 well for Lundin in the beginning of 2022, Deepsea Stavanger commenced a contract with Equinor for 5 wells in Q1 2022.

Deepsea Aberdeen finishes the Wintershall Dea contract Q2 2022 and then moves on to the Breidablikk contract with Equinor.

Deepsea Nordkapp continues operations for Aker BP under the Alliance agreement which, will take the unit to end of Q2 2023, and with the exercise of a further option of 1 year for the Kobra East Gecho field this will take the contract to Q1 2024.

Our managed rig portfolio has now expanded with the addition of Mira and Bollsta, under a marketing and management agreement with Northern Offshore Ltd. These rigs will be marketed during 2022. In addition we have entered into a contract with SFL Corporation Ltd to provide management services for the jack-up drilling rig West Linus.

For Well Services, the Covid-19 pandemic is still affecting mobility in areas such as the Middle East, but we are seeing an increase in activity in regions such as Norway and the UK. Developing new technological solutions such as the recent Continuous Circulation System, keeps us at the forefront of our industry. We are well placed to use our skills in other sectors such as geothermal and see opportunities to expand into other areas, products and services.

Of particular interest to both Well Services and Energy is the growing decommissioning market in the UK, as infrastructure comes to the end of its operational life. There is significant growth potential within specialist technology and engineering to support these emerging markets with more than 2,000 wells in the UK likely to be permanently abandoned over the next decade. Plug and abandonment represents a significant proportion of decommissioning spend.

The market for platform drilling services has been stable over the last decade, and we have secured long term contracts in addition to entering into strategic alliances to support our client's future activities. Energy is actively researching diversification opportunities and growing our capability in engineering, integrity management and consulting services. The energy transition offers great opportunities to utilise our skills in new sectors and our culture of being adaptable, innovative and focussed on continual improvement will stand us in good stead.

Financial Reviews

Consolidated Accounts

(comparable figures in brackets)

Income Statement

Odfjell Drilling generated operating revenue of USD 864 million in 2021 (USD 930 million), a decrease of USD 66 million. The decrease is mainly in the MODU segment and is primarily due to drilling operations in South Africa in 2020 where some costs were recognised in 2021. The decrease in the MODU segment is partly offset by increased revenue in the Energy segment.

Other gains and losses were USD 8 million (USD 3 million), an increase of USD 5 million mainly due to a USD 7 million distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association.

Total operating expenses were USD 750 million (USD 716 million), an increase of USD 34 million. Personnel expenses increased by USD 63 million mainly due to increased number of personnel and higher hired personnel cost. Depreciation and amortisation cost decreased by USD 22 million mainly due to the MODU rig Deepsea Bergen that was disposed for recycling in December 2020.

The operating profit (EBIT) amounted to USD 122 million (USD 216 million), a decrease of USD 94 million. The decrease is mainly in the MODU segment and primarily due to drilling operations in South Africa in 2020 and the timing of the recognition of revenue and costs in different years.

Net financial expenses amounted to USD 43 million (USD 71 million). The decrease of USD 28 million was mainly explained by reduced interest expenses and other borrowing costs as a result of a reduction in interest bearing debt and lower interest rates. Net currency gain in 2021 compared to net currency losses in 2020 and positive fair value changes also contributed to the decrease in net financial expenses.

The income tax expense amounted to USD 4 million (USD 2 million) and the net profit for the Group was USD 74 million (USD 143 million).

Total comprehensive income was USD 74 million (USD 139 million).

Balance Sheet

Consolidated total assets as at 31 December 2021 amounted to USD 2,515 million (USD 2,640 million).

Total non-current assets amounted to USD 2,147 million (USD 2,236 million).

Current assets amounted to USD 368 million (USD 405 million), of which USD 173 million was cash and cash equivalents (USD 207 million).

Total equity amounted to USD 1,268 million (USD 1,199 million), an increase of USD 69 million. The equity ratio was 50% (45%).

Total liabilities amounted to USD 1,247 million (USD 1,442 million), reflecting a decrease in interest-bearing borrowings of USD 176 million. Net interest bearing debt (excluding lease liabilities) amounted to USD 863 million (USD 1,005 million). In addition, lease liabilities (*IFRS 16 Leases)* amounting to USD 46 million (USD 45 million).

Cash Flow

Cash flow from operating activities amounted to USD 257 million (USD 346 million). The variance of USD 135 million from EBIT in 2021 is mainly explained by depreciation and amortisation offset by interest paid.

The cash outflow from investing activities amounted to USD 97 million (USD 113 million), mainly due to capital expenditures.

The cash outflow from financing activities amounted to USD 189 million (cash outflow of USD 193 million). The Group paid USD 182 million (USD 214 million) in instalments on credit facilities and leases, and dividends of USD 4 million (USD 4 million) were paid to the preference shareholder.

Critical accounting estimates

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.

There is use of judgement in the Group's revenue recognition, as well as in the considerations related to recognition of deferred tax asset for carried forward tax losses, and considerations related to contingent liabilities.

Please refer to Note - 4 Critical accounting estimates and judgements in the Consolidated Financial Statements for further information.

Parent company accounts

The business of the Parent Company, Odfjell Drilling Ltd., is as a holding company for investments in subsidiaries.

The Parent Company reported an operating loss (EBIT) of USD 2.6 million (USD 2.2 million), a negative change of USD 0.4 million mainly due to increase in legal fees and financial assistance.

The Parent Company reported interest income of USD 10 million (USD 14 million), interest expenses of USD 12 million (USD 16 million) and net other financial income of USD 7 million (USD 7 million).

The Parent Company reported a net profit of USD 2 million (USD 14 million), a negative change of USD 12 mainly due to dividends received and reversal of impairment in 2020.

Total assets in the Parent Company amounted to USD 1,331 million as at 31 December 2021 (USD 1,385 million).

Equity in the Parent Company amounted to USD 1,045 million (USD 1,046 million), corresponding to an equity ratio of 79% (76%).

Cash flow used in operating activities was USD 0.2 million (cash flow from operating activities USD 1.4 million).

Cash flow from investing activities was USD 38 million (USD 19 million). Cash flow in 2021 was proceeds from non-current loans to subsidiaries.

Cash outflow from financing activities was USD 39 million (USD 27 million). The cash outflow in 2021 is explained by payments on borrowing facilities from subsidiaries, in addition to payment of preference dividends.

Segment reporting

Mobile Offshore Drilling Units

Operating revenue for the MODU segment was USD 571 million (USD 704 million), a decrease of USD 133 million. This is mainly due to decreased revenue for Deepsea Stavanger of USD 178 million due to the successful drilling campaign in South Africa in 2020. This is partly offset by higher revenue for Deepsea Aberdeen and Deepsea Nordkapp in 2021 compared to 2020.

EBITDA for the MODU segment was USD 265 million (USD 375 million), a decrease of USD 110 million, mainly explained by a decrease in EBITDA for Deepsea Stavanger of USD 129 million, due to drilling operations in South Africa in 2020 and the timing of the recognition of revenue and costs in different years. The EBITDA margin for the MODU segment was 46% (53%).

EBIT for the MODU segment in 2021 was USD 116 million (USD 206 million), a decrease of USD 90 million.

Energy

Operating revenue for the Energy segment in 2021 was USD 215 million (USD 156 million), an increase of USD 59 million. The increase is mainly explained by more operating units in Operations in 2021 and higher incentive bonuses.

EBITDA for the Energy segment was USD 13 million (USD 15 million), a decrease of USD 2 million. The decrease is mainly explained by reduced utilisation of the engineering resource base compared to last year. The EBITDA margin for the Energy segment was 6% (10%).

EBIT for the Energy segment was USD 13 million (USD 15 million), a decrease of USD 2 million.

Well Services

Operating revenue for the OWS segment in 2021 was USD 116 million (USD 104 million), an increase of USD 12 million. The increase is explained by higher activity in both the Norwegian and MEAA markets offset by lower activity in the European sectors which have been impacted by the prolonged effects of the Covid-19 restrictions.

EBITDA for the OWS segment was USD 30 million (USD 32 million), a decrease of USD 2 million. EBITDA margin for the OWS segment was 26% (31%). The net decrease in EBITDA is as a result of the lower activity in Europe and lower profitability in Norway countered by improved profitability for the MEAA region.

EBIT for the OWS segment was USD 5 million (USD 7 million).

Risk review

Operational and industrial risk factors

The Group provides drilling and maintenance services for the oil and gas industry, which historically has been cyclical in its development. The level of activity in the offshore oil and gas industry will depend, among other things, on the general climate in the global economy, oil and gas prices, the investment level for oil and gas exploration, production and drilling and regulatory issues relating to operational safety and environmental hazards. Financial performance will also depend on the balance of supply and demand for mobile drilling units.

The Group seeks to mitigate these risks by securing contracts, preferably long term, with reputable customers ,for its main assets and services. All offshore contracts are associated with risk and responsibilities, including technical, operational, commercial, and political risks. The Group will continuously adjust the insurance coverage as required to limit these risks.

Furthermore, as the Group’s fully owned fleet currently consists of only four owned assets, 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.

Factors that, in the Group’s view, could affect its results materially include: volatile oil and gas prices, competition within the oil and gas services industry, changes in clients’ spending budgets and developments in the financial markets and renewables sector.

Financial risk factors

The Group is exposed to a range of financial risks: liquidity risk, market risk (including currency, interest rate, and price), and credit risk.

The financial risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. To some extent, the Group uses derivative financial instruments to reduce certain risk exposures.

Financial risk management is carried out at a Group level. The Group identifies, evaluates, and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd. has established written principles for risk management of foreign exchange risk, interest rate risk and the use of derivative financial instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.

Odfjell Drilling held cash and cash equivalents amounting to USD 173 million at the end of 2021. This is deemed to be sufficient funding for the Group’s current activity levels and committed capital expenditures during 2022.

The current market conditions and contract situation for the Group’s mobile offshore drilling units also affects the liquidity risk and covenant risk, since reduced revenues from drilling operations will directly affect the operating results and cash flow from operations and therefore liquidity. The Group seeks to mitigate the market, liquidity and re-contracting risks by active marketing to secure new drilling contracts for units that will end their drilling contract during 2022. This is in addition to further cost reduction and efficiency improvement programmes and a continued focus on capital discipline.

Operating in more than 20 jurisdictions, Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 30 - Contingencies regarding notice of decision received 1 October 2021 from HM Revenue and Customs. The Group has per 31 December 2021 not received any other formal material assessment which is not disclosed in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such processes, even if the final conclusion is in the Groups favour. Refer to Note 9 - Income taxes for further information.

The Group's refinancing risk is diversified with each loan facility maturing at different times up to June 2024. See Note - 18 Interest-bearing borrowings for further information about maturity of contractual amounts.

Market risk

Market risk is the risk of a change in market prices and demand, as well as changes in currency exchange rates and interest levels.

The re-contracting risk for the Group's wholly owned mobile drilling units is limited in 2022, as all units in the fleet have medium to long-term contracts.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures to currency fluctuations, primarily with respect to USD and NOK. The Group seeks to minimise these risks through currency hedging via financial instruments or by off-setting local currency elements in charter contracts.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. Apart from the Eksfin tranche of the Deepsea Aberdeen facility, none of the Group's borrowings are at fixed interest rates. The Group evaluates the level of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors regularly considers the interest payment hedging of the external financing and mandates administration to execute necessary changes.

Including interest rate swaps entered into, the fixed-rate portion of the Group's interest bearing debt as at 31 December 2021 is approximately 55%.

Credit risk

The current main market for the Group's services is the offshore oil and gas industry, and the clients consist primarily of major international oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of clients and generally does not request material collateral. Credit risk is considered to be limited.

Included in the trade receivables as at 31 December 2021, the Group has an outstanding amount of USD 4.6 million from customers in Iran. The Group's activities in Iran ceased prior to reinforcement of US sanctions early November 2018. No payments have been received after this date, due to no current efficient bank channels out of Iran. The Iranian customers are working on improving the liquidity situation and finding appropriate payment routes. The Group's Iranian customers have previously demonstrated that they prioritise supplier payments, and although delayed, they have historically paid their outstanding amounts. An impairment loss of USD 0.5 million has been accrued for these Trade receivables as at 31 December 2021.

Director & Officer's Liability Insurance

Odfjell Drilling has a group insurance policy for the liability of the Company's and its subsidiaries' Directors and Officers. The insurance covers personal legal liabilities including legal costs for defence. The limit of liability is NOK 75 million per claim and in aggregate per year.

Going concern

Going concern assumption

The financial statements have been prepared on the basis of the going concern assumption and the Directors have confirmed that this was realistic at the time the accounts were approved.

When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log.

Losses incurred by many financial institutions related to recent years' volatility and company restructurings in our industry, has led many financial institutions to target a shift in focus and exposure away from rig and oil services companies. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a long standing relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024.

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.

Subsequent events

The following material events have occurred after balance date:

Spin off of Odfjell Technology in 2022

On 31 January 2022 Odfjell Drilling Ltd announced it was contemplating spinning off its Well Services and Energy segments (the "Spin Off") into a newly established company, Odfjell Technology Ltd. ("OTL" or "Odfjell Technology"), and list the shares in OTL on the Oslo Stock Exchange (the "Listing").

The Spin Off consists of the group's current Well Services and Energy segments, as well as the ownership in Odfjell Oceanwind. The Spin Off will also provide business support services, mainly to companies in the Odfjell Drilling Group.

Prior to executing the Spin Off, an internal re-organisation was carried out and the relevant Well Services and Energy companies became subsidiaries of OTL.

On 4 February 2022 Odfjell Technology successfully priced NOK 1.1 bn in senior secured bonds through a private placement. The bonds mature in February 2026 and bear interest of 3 months Nibor plus 700 basis points. The net proceeds from the bond issue, together with a new USD 25 million super senior revolving credit facility at 3 months Libor + 375 basis points, were used to carry out the internal re-organisation and to repay the Odfjell Drilling Services USD 150 million credit facility 1 March 2022.

The shares in Odfjell Technology were distributed to the shareholders of the Company. The ratio for the distribution was 6:1, i.e. 6 shares in the Company gave the holder 1 share in OTL rounded downwards to the closest whole share. The shares in OTL were admitted for trading on the Oslo Stock Exchange 29 March 2022. There was no public offering of shares in Odfjell Technology in connection with the Listing.

As at 31 December 2021, the criteria for classifying the Spin Off as held for distribution to owners were not met. However, the criteria were met 4 February 2022 and the Spin Off businesses will be considered as discontinued operations in Odfjell Drilling's financial reporting going forward. The fair value of the assets distributed to the shareholders was USD 120 million.

Aker BP extended work for Deepsea Nordkapp

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

Equinor extended work for Deepsea Stavanger

On 21 March 2022, Equinor exercised further work for the Deepsea Stavanger under the continued optionality mechanism provided for in the contract entered into by the parties in May 2021. The Deepsea Stavanger now has six remaining wells to drill which are expected to occupy the rig into late Q4 2022. Equinor has the opportunity to exercise further wells under the continued optionality mechanism. The day rate is similar to the current contract and a notable performance incentive rate shall apply when wells are delivered safely and ahead of target. Integrated services are provided through the contract and compensated separately.

Equinor extends platform drilling contracts on Johan Sverdrup and Heidrun

On 16 February 2022, Equinor exercised a 2 year option on the platform drilling contracts for Heidrun and Johan Sverdrup Drilling Platform. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance on the installations. The contract period is now firm until Q4 2024. This option is the first of three options of two years each.

Management services for West Linus

On 21 February 2022, Odfjell Drilling agreed with SFL to provide management services for the harsh environment jack-up drilling rig West Linus. The agreement is based on terms and conditions customary for this type of agreements. The rig is employed on a long-term drilling contract with ConocoPhillips Scandinavia AS in the North Sea until the fourth quarter of 2028. Odfjell Drilling will take over as manager of the rig as soon as regulatory approvals such as change of duty holder under the Acknowledgement of Compliance is approved by Norwegian authorities. Odfjell Drilling expects this to be in place no later than 1 October 2022.

The situation in Ukraine

The Group does not expect to be materially affected as it has no direct businesses in Ukraine, Russia or Belarus. Any potential spill-over effects are not expected to be adverse.

There have been no other events after the balance date with material effect for the financial statements ended 31 December 2021.

The Board of Odfjell Drilling Ltd.

25 April 2022, Aberdeen, United Kingdom

Simen Lieungh Chair	Helene Odfjell Director	Harald Thorstein Director	Thomas Marsoner Director	Diane Stephen General Manager

Financials

Consolidated Group Financial Statements

Consolidated Income Statement

for the year ended 31 December

USD thousands	Note	2021	2020
OPERATING REVENUE	5,6	863,853	929,739
Other gains and losses	8	7,993	2,531
Personnel expenses	7,20,36	(402,899)	(340,303)
Depreciation and amortisation	10,11	(181,941)	(203,962)
Other operating expenses	8	(165,406)	(171,563)
TOTAL OPERATING EXPENSES		(750,246)	(715,828)
Operating profit (EBIT)		121,600	216,441
Share of profit / (loss) from joint ventures and associates	34	(539)	-
Interest income	8	137	636
Interest expenses	8,18,19	(53,324)	(71,841)
Other financial items	8	9,817	408
Net financial expenses		(43,370)	(70,798)
Profit before income tax		77,691	145,643
Income tax expense	9	(3,838)	(2,339)
Net profit		73,852	143,304
Profit (loss) attributable to:			
Non-controlling interests		(531)	(73)
Owners of the parent		74,383	143,377
EARNINGS PER SHARE (USD)			
Basic earnings per share	38	0.278	0.571
Diluted earnings per share	38	0.278	0.571

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2021	2020
Net profit		73,852	143,304
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations (net of tax)	9,20	(341)	(2,039)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	25	3,888	(7,303)
Currency translation differences		(3,831)	4,837
Other comprehensive income, net of tax		(283)	(4,504)
Total comprehensive income		**73,569**	**138,799**
Total comprehensive income is attributable to:			
Non-controlling interests		(524)	(21)
Owners of the parent		74,093	138,820

Items in the statement above are disclosed net of tax. The income tax relating to each item of other comprehensive income is disclosed in Note 9 - Income Taxes.

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

USD thousands	Note	31.12.2021	31.12.2020
ASSETS			
Property, plant and equipment	10	2,108,856	2,203,387
Intangible assets	11	28,516	28,892
Deferred tax asset	9	1,291	1,040
Investments in joint ventures and associates	34	486	-
Derivative financial instruments	14,25	4,963	-
Other non-current assets	12	2,726	2,588
Total non-current assets		**2,146,837**	**2,235,908**
Spare parts	13	2,511	2,066
Contract assets	15	10,221	9,898
Trade receivables	16	154,547	161,889
Other current assets	12	28,005	23,834
Cash and cash equivalents	17	173,031	206,895
Total current assets		**368,314**	**404,583**
TOTAL ASSETS		2,515,151	2,640,491

USD thousands	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Paid in equity	27	564,959	564,959
Other equity	28	703,215	632,909
Total equity attributable to owners of the parent		**1,268,174**	**1,197,868**
Non-controlling interests		-	636
Total equity		**1,268,174**	**1,198,503**
Non-current interest-bearing borrowings	18,29	875,352	695,792
Non-current lease liabilities	19	38,282	36,920
Post-employment benefits	20	6,006	6,902
Non-current contract liabilities	15	5,589	3,688
Derivative financial instruments	14,25	3,967	16,623
Total non-current liabilities		**929,197**	**759,925**
Current interest-bearing borrowings	18,29	161,058	515,799
Current lease liabilities	19	7,796	7,633
Contract liabilities	15	21,798	14,003
Trade payables	21	43,190	52,667
Current income tax	9	2,704	367
Other current liabilities	22	81,234	91,594
Total current liabilities		**317,781**	**682,063**
Total liabilities		**1,246,978**	**1,441,987**
TOTAL EQUITY AND LIABILITIES		2,515,151	2,640,491

The Board of Odfjell Drilling Ltd.

25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Thomas Marsoner	Diane Stephen
Chair	Director	Director	Director	General Manager

Consolidated Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Common shares	Preference shares	Non-controlling interest	Total equity
		Attributable to owners of the parent					Owners equity attributable to:			
Balance at 1 January 2020	**27,28**	**2,529**	**562,430**	**(108,045)**	**605,464**	**1,062,378**	**981,260**	**81,118**	**-**	**1,062,378**
Profit/(loss) for the period		-	-	-	143,377	143,377	135,164	8,213	(73)	143,304
Other comprehensive income for the period		-	-	(2,518)	(2,039)	(4,557)	(4,557)	-	53	(4,504)
Total comprehensive income for the period		**-**	**-**	**(2,518)**	**141,338**	**138,820**	**130,607**	**8,213**	**(21)**	**138,799**
Cash dividend to preference shareholders		-	-	-	(4,107)	(4,107)	-	(4,107)	-	(4,107)
Non-controlling interests on acquisition of a subsidiary					-	-	-	-	549	549
Transactions with non-controlling interests					247	247	247	-	108	355
Cost of share-based option plan	37	-	-	529	-	529	529	-	-	529
Transactions with owners		**-**	**-**	**529**	**(3,859)**	**(3,330)**	**776**	**(4,107)**	**656**	**(2,674)**
Balance at 31 December 2020	**27,28**	**2,529**	**562,430**	**(110,034)**	**742,942**	**1,197,868**	**1,112,644**	**85,224**	**636**	**1,198,503**
Profit/(loss) for the period		-	-	-	74,383	74,383	65,754	8,629	(531)	73,852
Other comprehensive income for the period		-	-	50	(341)	(291)	(291)	-	7	(283)
Total comprehensive income for the period		**-**	**-**	**50**	**74,043**	**74,093**	**65,464**	**8,629**	**(524)**	**73,569**
Cash dividend to preference shareholders	27	-	-	-	(4,314)	(4,314)	-	(4,314)	-	(4,314)
Loss of control of subsidiaries					-	-	-	-	(112)	(112)
Cost of share-based option plan	37	-	-	528	-	528	528	-	-	528
Transactions with owners		**-**	**-**	**528**	**(4,314)**	**(3,787)**	**528**	**(4,314)**	**(112)**	**(3,899)**
Balance at 31 December 2021	**27,28**	**2,529**	**562,430**	**(109,456)**	**812,671**	**1,268,174**	**1,178,635**	**89,539**	**-**	**1,268,174**

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December

USD thousands	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax		77,691	145,643
Adjustments for:			
Depreciation and amortisation	10,11	181,941	203,962
Change in fair value derivatives		(8,731)	(4,440)
Interest expense - net	8	49,906	65,906
Amortised transaction costs borrowings		3,281	5,300
Share of (profit) loss from joint ventures		539	-
Net (gain) loss on sale of tangible fixed assets		(369)	(2,531)
Post-employment benefit expenses less post-employment benefit payments		(1,137)	(3,314)
Net currency loss (gain) not related to operating activities		2,364	(4,778)
Other provisions and adjustments for non-cash items		2,377	6,413
Changes in working capital:			
Spare parts		(480)	(170)
Trade receivables and contract assets		2,794	13,905
Trade payables		4,697	(3,374)
Other accruals		(6,817)	(6,936)
Cash generated from operations		**308,056**	**415,584**
Interest paid		(49,869)	(66,648)
Net income tax paid		(1,686)	(3,194)
Net cash flow from operating activities		**256,501**	**345,743**

USD thousands	Note	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	10,11	(97,833)	(114,047)
Proceeds from sale of property, plant and equipment		974	3,130
Other non-current receivables		(49)	(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		(486)	-
Net cash flow used in investing activities		**(97,395)**	**(113,123)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	18	(2,133)	25,000
Repayments of borrowings	18	(176,211)	(208,211)
Repayment of lease liabilities	19	(6,126)	(5,822)
Dividends paid to preference shareholders	27	(4,314)	(4,107)
Net cash flow from financing activities		**(188,784)**	**(193,139)**
Effects of exchange rate changes on cash and cash equivalents		(4,186)	(2,279)
Net change in cash and cash equivalents		**(33,864)**	**37,201**
Cash and cash equivalents at 01.01		206,895	169,694
Cash and cash equivalents at 31.12		**173,031**	**206,895**

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements 2021

All amounts are in USD thousands unless otherwise stated

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Note 1 General information

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

Odfjell Drilling Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Drilling Ltd's head office is at Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom and the Company is tax resident in the United Kingdom.

The consolidated financial statements including notes for Odfjell Drilling Ltd. for the year 2021 were approved by the Board of Directors on 25 April 2022.

Note 2 Basis for preparing the consolidated financial statements

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2021 comply with IFRS as endorsed by the European Union (EU).

The consolidated financial statements ended 31 December 2021 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. The assessment regarding the going concern assumption is disclosed in Note 4 - Critical accounting estimates and judgements.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, debt and equity financial assets, plan assets in defined benefit pension plans and contingent consideration that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in each relevant note.

New and amended standards and interpretations effective after 1 January 2021 that have been adopted by the Group

- *Covid-19-Related Rent Concessions – amendments to IFRS 16*
- *Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are listed in Note 33.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between fair value of any consideration paid, and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may indicate that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Any investment retained is recognised at fair value.

The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Foreign currency translation

(a) Functional and presentation currency

Items included in the separate financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in USD (in thousands), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly exchange rates for the month the transactions are recognised.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other financial items'.

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency (USD) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The following are the most significant exchange rates used in the consolidation:

	Average rate		Closing rate as at 31.12	
	2021	2020	2021	2020
NOK	0.11631	0.10609	0.11339	0.11720
GBP	1.37556	1.28175	1.34788	1.36491
EUR	1.18325	1.13944	1.13259	1.22709

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, when it is held primarily for the purpose of trading, when it is expected to be realised within twelve months after the reporting period, or when it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, when it is held primarily for the purpose of trading, when it is due to be settled within twelve months after the reporting period, or when there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Statement of cash flows

The statement of cash flows is prepared under the indirect method. Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2021 and not early adopted

Certain new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 3 Significant events and transactions in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

Master Frame Agreement work for Deepsea Atlantic

Equinor has 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.

Lundin and Equinor contracts to Deepsea Stavanger

A final drilling contract with Lundin was signed on 2 March 2021. The duration of the contract was 3 firm wells with a contractual value of approximately USD 33 million. The contract commenced on 7 July 2021, back to back with the operations for Aker BP. On 1 December 2021, Lundin exercised one well as part of the optional well program agreed in this contract. The operations commenced early January 2022 and were completed end of January.

Additionally, on 26 May 2021, Equinor awarded a drilling contract to Odfjell Drilling for the use of the 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 in the Equinor contract 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.

Further to the 3 wells awarded in May 2021, Equinor has on 27 September 2021 added one additional well to the rig under the continued optionality mechanism in the overall Master Frame Agreement between the parties. The additional well shall follow the current firm period of the three wells which commences during Q1 2022 and the rig is expected to be occupied into Q3 2022.

Aker BP exercises fourth year for Deepsea Nordkapp

Aker BP has, on 22 March 2021, exercised the second 12-month option for Deepsea Nordkapp under the contract entered into between the parties in April 2018. The second 12-month option shall commence after expiry of the first optional period in June 2022. The approximate contract value for the exercised optional scope is USD 109 million (excluding any integrated services). Furthermore, a performance bonus will be applicable. An additional scope based option period has been agreed which, if exercised shall follow completion of the firm period and have a duration of up to 12 months.

Platform Drilling and maintenance contract award by TAQA

TAQA in the UK has, on 19 March 2021, awarded Odfjell Drilling a five-year contract for the provision of Platform Drilling & Maintenance Services on its UK North Sea installations including North Cormorant, Harding, Tern Alpha, Brae Alpha and East Brae. Odfjell Drilling is the incumbent Platform Drilling & Maintenance Services contractor for three of these installations under a contract awarded in 2017 and this new agreement replaced the existing contract, with the addition of Brae Alpha and East Brae. The new contract was effective from 15 June 2021.

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.

Management and marketing services on Mira and Bollsta

On 23 December 2021, Northern Ocean Ltd awarded Odfjell Drilling the marketing and management services for the semisubmersibles West Mira and West Bollsta. Both units are high end harsh environment 6th generation semisubmersibles tailored for operations on the Norwegian Continental Shelf.

Odfjell Drilling took over the responsibility for Mira in the beginning of February 2022 and the unit currently is quayside at Hanoytangen outside Bergen, Norway. Bollsta finished its current contract with Lundin before being handed over to Odfjell Drilling in Q1 2022. The units have been renamed Deepsea Mira and Deepsea Bollsta after Odfjell Drilling's handover.

Bank facilities extension of 2021 debt maturities

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

The Covid-19 pandemic has had a significant impact on our business in terms of us having to adapt and adjust our ways of working. The pandemic necessitated a renewed focus on people and safety. The Group acted quickly to implement required routines to limit the spread of the virus.

The Well Services business has been significantly impacted by the Covid-19 pandemic, predominately due to the geographical reach of the business and the need for international movement and cross border activity, while the negative financial impact in the other segments has been limited. The main impact in the Well Services business has been reduced operating revenues due to customers postponing contract commencements. Strict cost control and cost reducing measures have secured acceptable margin levels.

The Group will continue to monitor the situation and take actions as required and recommended by local authorities.

Note 4 Critical accounting estimates and judgements

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

- Revenue recognition (Note 6 - Revenue)
- Recognition of deferred tax asset for carried forward tax losses (Note 9 - Income Taxes)
- Provisions and contingent liabilities (Note 30 - Contingencies)
- Warrant liabilities measured at fair value (Note 14 - Financial assets and liabilities)
- Determination of lease term and estimating the incremental borrowing rate (Note 19 - Leases)

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, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients' spending budgets, cost inflation, access to qualified resources and developments in the financial and fiscal markets.

Losses incurred by many financial institutions related to recent years' volatility and company restructurings in our industry, has led many financial institutions to target a shift in focus and exposure away from rig and oil services companies. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024.

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.

Note 5 Segment summary

Accounting policy

Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

Segment reporting

The Group provides drilling and related services to the offshore oil and gas industry. 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.

Mobile Offshore Drilling Units

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 consist of two main business areas.

The main service offering of the Drilling Operations business area is production of drilling and well completion on client's fixed platforms. Other types of services offered are slot recovery, plug and abandonment, work-overs and maintenance activities.

The Engineering business area offers engineering services ranging from design and engineering to project management, modifications and upgrades, rig re-activation, third party equipment installations, 5 yearly SPS re-certifications and yard stays.

More recently the Engineering business area has sought to expand its services to new areas such as integrity management, and the transition towards increased renewable energy and sustainable markets, especially in Norway.

Well Services

The Well Services segment provides casing and tubular running services (both automated and conventional), drilling tool and tubular rental services and specialist well intervention products and services for exploration wells and for production purposes.

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External segment revenue	571,288	703,881	200,111	142,316	79,848	76,703	12,606	6,838	863,853	929,739
Inter segment revenue	-	-	15,120	13,265	35,984	27,164	(51,104)	(40,430)	-	-
Total operating revenue	**571,288**	**703,881**	**215,231**	**155,582**	**115,832**	**103,868**	**(38,497)**	**(33,591)**	**863,853**	**929,739**
EBITDA	**265,259**	**375,284**	**13,389**	**15,184**	**29,999**	**32,266**	**(5,106)**	**(2,331)**	**303,541**	**420,403**
Depreciation, amortisation and impairment loss	(149,441)	(169,484)	(79)	(99)	(24,551)	(25,409)	(7,870)	(8,970)	(181,941)	(203,962)
Operating profit (EBIT)	**115,818**	**205,800**	**13,311**	**15,085**	**5,448**	**6,858**	**(12,977)**	**(11,302)**	**121,600**	**216,441**
Share of profit (loss) from joint ventures and associates									(539)	-
Net financial items									(43,370)	(70,798)
PROFIT / (LOSS) BEFORE TAX - CONSOLIDATED GROUP									**77,691**	**145,643**

Note 6 Revenue

Accounting policy - Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over rendered services to the customer.

Sometimes, the Group receives short-term advances from customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group has, as a practical expedient in IFRS, recognised the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The group has only operating leases as a lessor. Rental income and the lease component of drilling contracts is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. The lease term may vary from contract to contract, and only includes the non-cancellable period of the contract with the addition of optional renewable periods if the lessee is reasonably certain to extend. None of the existing contracts have optional periods included in the lease term. The lease term is reassessed when options to extend are exercised. Contingent rents are recognised as revenue in the period in which they are earned.

Significant judgement and estimation uncertainty

There is use of judgement in the Group's revenue recognition, and the judgement items include evaluation of whether the customer option represents a material right that gives rise to a performance obligation, and if so, to estimate the stand-alone selling price of the option. Further, judgement is based on a decision of whether to include any incentive bonus elements in the transaction price, and to estimate included variable considerations. In addition, the progress towards complete satisfaction of the performance obligation at the end of the reporting period is estimated, as the completion date of the drilling period is unknown at the end of the reporting period.

Mobile Offshore Drilling Units

The revenue is primarily derived from drilling contracts with customers. The core promise in the contracts with the customers is to be available to provide drilling services over the operation period of a contract. Drilling services primarily comprise of providing the mobile offshore drilling unit, crews, related equipment and services necessary to operate the rig. The contract rates include both a lease component and a service component. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Therefore, the Group follow the series guidance in IFRS 15 and treat the series of distinct services as a single performance obligation.

Revenue is based on the transactions price in the contracts with the customers. The main part of the transaction price is dayrates, which range from a full operating dayrate to lower or zero rates for periods when drilling operations are interrupted. Payment of the dayrate based transaction price is usually due on a monthly basis.

Some contracts entitle the Group to receive compensation for mobilisation and demobilisation, contract preparation, customer-requested goods and services or capital upgrades. The compensations are either as fixed lump-sums or based on variable dayrates. Lump-sums are usually paid up-front or when certain milestones are met. The payment terms do not contain any significant financing components.

Most of the contracts include fees for variable or conditional service fee arrangements, such as bonuses for meeting or exceeding certain performance targets. The Group estimate these variable fees using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally upon completion of a well or drilling program).

Revenue from drilling contracts is generally recognised in the period from commencing a contract and until completion of the drilling programme ("the drilling operation period"). No revenue is recognised in the mobilisation and demobilisation period.

Since the customers continuously gain control over the drilling services, revenue is recognised over time, in line with transfer of control.

The likelihood of options being exercised, and thereby included in estimates for expected total revenue and the drilling operation period, is based on an assessment of whether a customer option provides a material right for the customer. If a contract includes an option that provides a material right for the customer, a proportion of contract revenue will be allocated to the material right and recognised as revenue when the additional service is provided or when the option expires.

Dayrate considerations in the drilling operation period are attributed to the period to which the drilling operations are performed, and recognised as revenue in the same period. Other compensations, as described above, are allocated to the contract and recognised as revenue on a straight-line basis over the drilling operation period. Refer to Note 15 - Contract balances. Bonuses and other variable or conditional service fees are allocated to either the entire drilling operation period or to individual periods during the contract (using the series of services guidance in IFRS 15) depending on what the variable contract revenue relates to.

The costs to prepare the rig for contract and the cost for mobilisation of the rig to the drilling location, are capitalised as *Assets from contract costs* and expensed as operating cost over the drilling operations period. Refer to Note 15 - Contract balances. Demobilisation expenses are expensed as incurred.

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. The transaction price is mainly dayrate based management fees, usually payable on a monthly basis. Refer to Note 15 - Contract balances for payment terms related to the management agreement with CIMC Raffles. The payment terms do not contain any significant financing components. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

Energy

Within the Energy segment, the Drilling Operations business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

Revenue is based on the transaction price in the contracts with customers. The main part of the transaction price is fixed day rates, which can vary depending on the phase of contract. Payment of the dayrate based transaction price is usually due on a monthly basis. Some contracts may contain milestone payments or prepayment for maintenance services not yet performed. Refer to Note 15 - Contract balances.

The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

The Engineering business area offers engineering services, including design, project management and operation and support. The transaction prices in the contracts are mainly based on rates per hour, but the business area may from time to time have some lump sum projects. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Well Services

The Well Services segment (OWS) provides casing and tubular running services (both automated and conventional), drilling tool and tubular rental services and specialist well intervention products and services for exploration wells and for production purposes.

Revenue for the rental services are recognised according to IFRS 16 *Leases* and is accounted for on a straight-line basis over the lease terms.

Services related to contracts with customers are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Revenue is based on the transaction price in the contracts with customers, which is a combination of fees for equipment used, personnel on board and other pricing elements. Payment of the transaction price is usually due on a monthly basis. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Revenue specification

USD thousands	2021	2020
Revenue from contracts with customers (IFRS 15)	658,898	567,265
Lease component in MODU contracts	180,614	333,851
Lease component in OWS contracts	23,424	27,736
Other operating revenue	917	885
Operating revenue	**863,853**	**929,739**

Revenue from single external customers (> 10% of revenues)

USD thousands	2021	2020
Customer 1	-	215,048
Customer 2	198,376	179,584
Customer 3	172,201	168,918
Customer 4	118,394	161,036
Customer 5	108,140	10,283

Disaggregation of revenue by primary geographical markets

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Norway	571,288	349,128	148,900	103,013	64,640	55,085	(34,158)	(25,204)	**750,669**	482,023
United Kingdom	-	139,396	66,331	52,568	10,193	9,267	(4,339)	(3,707)	**72,185**	197,524
Europe - other countries	-	-	-	-	12,879	15,962	-	-	**12,879**	15,962
Asia	-	308	-	-	27,613	18,097	-	(133)	**27,613**	18,272
Africa	-	215,048	-	-	277	5,199	-	(4,548)	**277**	215,700
Other geographical markets	-	-	-	-	229	258	-	-	**229**	258
Total operating revenue	**571,288**	**703,881**	**215,231**	**155,582**	**115,832**	**103,868**	**(38,497)**	**(33,591)**	**863,853**	**929,739**

Performance obligations in contracts

Amounts allocated to performance obligations that are to be completed under existing customer contracts are set out as service elements in the following table.

The firm contract backlog does not include variable consideration which is constrained. The services provided under these contracts will be billed based on time incurred and at day rates according to contract.

The Well Services contracts are for periods of one year or less and are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

USD million	Future minimum lease payments MODU	Performance obligations MODU	Performance obligations Energy	Total firm backlog
Within one year	186	261	157	**603**
Between one and two years	126	155	139	**420**
Between two and three years	55	65	107	**227**
Between three and four years	-	-	25	**25**
Between four and five years	-	-	6	**6**
After five years	-	-	-	**-**
Total	**367**	**481**	**435**	**1,282**

Note 7 Personnel Expenses

USD thousands	Note	2021	2020
Salaries and wages		306,884	267,985
Employer`s national insurance contributions		43,910	36,115
Pension expenses	20	20,972	19,852
Cost of share-based option plan	37	528	529
Other benefits		15,645	11,626
Hired personnel		30,783	22,449
Capitalised personnel expenses *		(15,823)	(30,732)
Amortised personnel contract cost		-	12,479
Total personnel expenses		**402,899**	**340,303**

** Capitalised personnel expenses for the year 2020 include both contract costs for amortisation, and cost capitalised as part of additions to tangible fixed assets, while the 2021 expense represent additions to tangible fixed assets only.*

	2021	2020
No. of employees (annual average)	2,808	2,618

Note 8 Combined items, income statement

Other gains and losses

USD thousands	2021	2020
Gain disposal of shares in subsidiaries due to loss of control *	278	-
Distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association **	7,346	-
Net gain on disposal of tangible fixed assets	369	2,531
Net gain on disposal of assets	**7,993**	**2,531**

** Gain disposal of shares in subsidiaries due to loss of control relates to investment in Odfjell Oceanwind AS. Due to capital contributions from other investors, the Group's financial interest has been reduced to about 15% as at 31 December 2021. Odfjell Oceanwind AS is now classified as a joint venture, refer to note 34, and is accounted for using the equity method from May 2021.*

*** Due to an improved capital position, The Norwegian Shipowners' Mutual War Risks Insurance Association resolved to distribute USD 300 million to its members. The payment was subject to withholding tax (25%). The gross amount has been recognised.*

Other operating expenses

USD thousands	Note	2021	2020
Hired services		34,166	26,811
Hired equipment		17,870	11,186
Repair and maintenance, inspection, tools, fixtures and fittings		69,456	65,650
Insurance		3,944	3,790
Freight and transport		7,518	7,269
Premises facility expenses		4,368	3,701
Travel and course expenses		13,462	13,869
Other operating and administrative expenses		10,386	10,072
Capitalised contract cost	15	-	(13,232)
Amortised other operating contract cost	15	4,236	42,446
Total other operating expenses		**165,406**	**171,563**

Accounting policy - Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest expenses

USD thousands	Note	2021	2020
Interest expenses borrowings		47,261	63,850
Amortised transaction costs borrowings *	18	3,281	5,300
Interest expenses lease liabilities	19	2,566	2,396
Other interest expenses		216	295
Total interest expenses		53,324	71,841

** Amortised transaction costs borrowings for 2021 includes recognised modification loss related to the extension and amendment to the Drilling Services bank facility, as well as a modification gain related to the extension and amendment to the Odfjell Rig III facility, as a result of recalculating amortised cost according to IFRS 9.*

Other financial items

USD thousands	Note	2021	2020
Net currency gain / (loss)		1,184	(2,830)
Other financial income		0	0
Change in value of market-based derivatives *	25	8,731	4,440
Other financial expenses		(98)	(1,203)
Total other financial items		9,817	408

** Change in value of market-based derivatives includes change in fair value of warrant liabilities.*

Note 9 Income Taxes

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Withholding tax is the tax withheld on border-crossing gross income, generated in the Middle East and some other countries. Withholding tax is presented as tax expense in the income statement as this is a major, and often the total, part of the corporate income tax.

Significant judgement and estimation uncertainty

Odfjell Offshore Ltd, a subsidiary of Odfjell Drilling Ltd., was registered as a Norwegian Registered Foreign Company (NUF) on 08.03.2016 after migration of the company in January 2016, and is taxable for income to Norway. In 2017, the company filed for a tax deduction, of approximately NOK 2.3 billion, on redemption of shares in Deep Sea Metro Ltd. A total of NOK 1.3 billion of this loss has been utilised through group contributions received from other Norwegian entities within the Odfjell Drilling Ltd group in the period 2017 to 2021. As at 31 December 2021 the Group has an unrecognised tax asset of USD 24 million.

In 2018, the Norwegian Tax authorities requested further information regarding the deductibility for these tax losses. In March 2021 Odfjell Offshore received a new letter from the Norwegian Tax authorities where they argue that the company is not tax resident in Norway, and if it is, that the losses are not deductible and warn of a potential change in the company's tax return as a consequence of this. At the same time, further information was requested in the letter. The last correspondence with the tax authorities was a letter with more requested information sent from the company 15 October 2021.

If the company is not recognised as a tax resident in Norway, the group contributions received in the period 2017 to 2021 will not be deductible for the Norwegian entities that have provided the group contributions, and the Group will have to pay tax equal to approximately USD 34 million, and the unused tax losses disclosed on the next page will largely be lost.

If the company is recognised as a tax resident in Norway, but the losses are not considered to be deductible, the Group will have a payable tax equal to approximately USD 34 million.

The Group is of the opinion that the most likely outcome of any further proceedings is that the company is recognised as a tax resident in Norway and maintains the right to utilise the tax losses. There might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Group's favour.

Income tax expense

USD thousands	2021	2020
Withholding taxes paid / payable	(1,838)	(1,552)
Payable taxes	(2,192)	(484)
Change in deferred tax	192	(303)
Total income tax expense	(3,838)	(2,339)
EFFECTIVE TAX RATE	4.9 %	1.6 %

Tax reconciliation

USD thousands	2021	2020
PROFIT / (LOSS) BEFORE INCOME TAX	77,691	145,643
Tax calculated at domestic tax rates applicable to profits in respective countries* (including withholding tax)	(7,112)	(3,089)
Net utilisation of unrecognised tax losses	7,577	6,130
Effect of changes in tax rates	23	-
Effect of adjustments recognised related to prior periods	(1,125)	(346)
Effect of net non-taxable income / (expenses) **	(3,202)	(5,035)
Income tax expense	(3,838)	(2,339)

** Domestic tax rates applicable to the Group varies between 0% and 25% for corporate income taxes (CIT).*

*** The majority of non-tax deductible expenses are related to limitations regarding tax-deductible interest expenses in the UK.*

Tax losses

USD thousands	31.12.2021	31.12.2020
Unused tax losses for which no deferred tax asset has been recognised	108,320	147,594
Potential tax benefit 22%	**23,917**	**32,524**

The movement in unrecognised tax assets is as follows:

USD thousands	2021	2020
Unrecognised tax asset as at 01.01	32,524	37,542
Net utilisation of unrecognised tax losses	(7,577)	(6,130)
Effect of changes in tax rates	(53)	-
Currency translation differences	(978)	1,113
Unrecognised tax asset as at 31.12	**23,917**	**32,524**

The Group has an unrecognised tax asset of USD 24 million, which is mainly related to operations in Norway as explained above. Due to current market uncertainties, the level of future taxable profits is too unpredictable to support a recognised tax asset.

The gross movement on the deferred tax account is as follows:

USD thousands	2021	2020
Net deferred tax assets/(deferred tax liabilities) at 01.01	1,040	777
Income statement charge	192	(303)
Change in deferred tax on other comprehensive income	96	575
Currency translation differences	(37)	(8)
Net deferred tax assets/(deferred tax liabilities) at 31.12	**1,291**	**1,040**

The Group's recognised deferred tax assets are related to operations in Norway and the UK.

Deferred tax assets - Specification and movements

USD thousands	Tax losses	Current assets	Net pension liabilities	Fixed assets	Lease liabilities	Total
Opening balance 01.01.2020	48	199	1,700	461	9,891	12,298
Income statement charge	-	1	(729)	(119)	(657)	(1,504)
Change in deferred tax on other comprehensive income	-	-	575	-	-	575
Currency translation differences	2	7	(27)	1	230	212
Closing balance 31.12.2020	**50**	**206**	**1,518**	**343**	**9,464**	**11,581**
Income statement charge	(50)	(0)	(250)	25	677	401
Change in deferred tax on other comprehensive income	-	-	96	-	-	96
Currency translation differences	0	(5)	(43)	(12)	(330)	(390)
Closing balance 31.12.2021	**-**	**201**	**1,321**	**356**	**9,811**	**11,689**

Deferred tax liabilities - Specification and movements

USD thousands	Deferred capital gains	Right-of-use Assets	Total
Opening balance 01.01.2020	(1,809)	(9,712)	(11,522)
Income statement charge	337	864	1,201
Currency translation differences	(17)	(204)	(221)
Closing balance 31.12.2020	**(1,489)**	**(9,052)**	**(10,541)**
Income statement charge	296	(505)	(210)
Currency translation differences	41	311	352
Closing balance 31.12.2021	**(1,153)**	**(9,246)**	**(10,398)**

Net book value of deferred taxes

USD thousands	2021	2020
Deferred tax assets	11,689	11,581
Deferred tax liabilities offset in deferred tax assets	(10,398)	(10,541)
Net book value of deferred tax asset at 31.12.	**1,291**	**1,040**

The income tax (charge)/credit relating to components of the other comprehensive income is as follows:

USD thousands	Before tax 2021	Tax (charge)/ credit 2021	After tax 2021	Before tax 2020	Tax (charge)/ credit 2020	After tax 2020
Actuarial loss on post employment benefit obligations	(437)	96	(341)	(2,614)	575	(2,039)
Other comprehensive income	**(437)**	**96**	**(341)**	**(2,614)**	**575**	**(2,039)**
Deferred tax		96			575	

Note 10 Tangible fixed assets

Accounting policy

Property, plant and equipment comprise mainly of mobile offshore drilling units, well services equipment and machinery and equipment. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes purchase price, any directly attributable costs of bringing the asset to working condition and borrowing costs.

Depreciation is calculated on a straight-line basis over the useful life of the asset or component. The depreciable amount equals historical cost less residual value. Items of property, plant and equipment with components that have substantially different useful lives are treated separately for depreciation purposes. The total expenditure on the rigs is therefore allocated into groups of components that have different expected useful lifetimes.

Subsequent costs for day-to-day repairs and maintenance are expensed as incurred.

The cost of modernisation and rebuilding projects is included in the asset's carrying amount when it is probable that the Group will derive future financial benefits and the cost of the item can be measured reliably.

The carrying amount of the replaced part is written off. Modernisation and rebuilding projects are depreciated over the remaining useful life of the related assets.

The useful lives of assets and the depreciation methods are reviewed periodically in order to ensure that the method and period of depreciation are consistent with the expected pattern of financial benefits from the asset.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement as other gains and losses.

Residual values for mobile offshore drilling units are determined based on the estimated second hand prices for mobile drilling units after a 30 year useful lifetime. Any changes are accounted for prospectively as a change in the accounting estimate. The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. Residual values for property, plant and equipment are estimated to be zero.

Rig and equipment are depreciated over a period from 5 to 30 years. Periodic maintenance is depreciated over the expected period until next docking, estimated as 5 years.

Estimated useful life for operating drilling equipment is 3 to 10 years.

Newbuild in progress

Newbuilds under construction are capitalised as fixed assets during the construction as instalments are paid to the yard.

Capitalised costs include interest expenses until commencement on first drilling contract, contractual costs and costs related to the monitoring of the project during the construction period. Contractual costs include costs related to the project for the duration of the contract, i.e. from signing of the contract to final completion of the contractual work. Any costs incurred prior to the signing of the contract that relate to the procurement of the contract are regarded as a purchase of contractual assistance and are included in contractual costs.

Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). For mobile offshore drilling units, each unit is deemed to be a CGU. Value in use represents the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Non-financial assets, other than goodwill, that have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Assets subject to operating leases

Mobile drilling units, Periodic maintenance and Well Service equipment contain assets used in contracts with customers that contain a lease component.

Specification and movements 2021

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2021	2,931,326	158,487	376,567	21,471	56,058	3,543,908
Additions	45,327	13,173	15,195	1,919	9,135	84,749
Reclassifications *	(24,530)	-	24,530	-	-	-
Disposals	(6,870)	-	(7,174)	(1,072)	(3,193)	(18,308)
Currency translation differences	-	-	(1,402)	(741)	(2,016)	(4,158)
Cost as at 31 December 2021	2,945,253	171,660	407,717	21,578	59,983	3,606,190
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	(965,754)	(34,859)	(307,843)	(18,583)	(13,481)	(1,340,520)
Depreciation	(112,218)	(34,597)	(22,218)	(1,211)	(6,822)	(177,066)
Disposals	6,775	-	6,762	972	3,193	17,704
Currency translation differences	-	-	1,373	615	561	2,549
As at 31 December 2021	(1,071,197)	(69,456)	(321,925)	(18,207)	(16,549)	(1,497,334)
NET BOOK VALUE AT 31 DECEMBER 2021	1,874,056	102,203	85,792	3,371	43,434	2,108,856
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*	

** Reclassifications relates to mooring equipment transferred from Mobile drilling units to Well Services.*

Specification and movements 2020

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2020	3,126,346	256,445	365,058	21,076	52,643	3,821,568
Additions	41,993	59,183	18,075	601	2,616	122,469
Disposals	(237,014)	(157,141)	(7,739)	(855)	(931)	(403,680)
Currency translation differences	-	-	1,173	649	1,729	3,550
Cost as at 31 December 2020	**2,931,326**	**158,487**	**376,567**	**21,471**	**56,058**	**3,543,908**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	(1,075,777)	(149,779)	(290,695)	(17,719)	(6,732)	(1,540,701)
Depreciation	(126,937)	(42,221)	(23,208)	(1,143)	(6,913)	(200,421)
Disposals	236,959	157,141	7,200	849	931	403,080
Currency translation differences	-	-	(1,141)	(570)	(767)	(2,478)
As at 31 December 2020	**(965,754)**	**(34,859)**	**(307,843)**	**(18,583)**	**(13,481)**	**(1,340,520)**
NET BOOK VALUE AT 31 DECEMBER 2020	**1,965,571**	**123,628**	**68,724**	**2,888**	**42,576**	**2,203,387**
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*	

Accumulated impairment that may qualify for reversal in a later period related to the mobile drilling units Deepsea Atlantic and Deepsea Stavanger amount to USD 175 million at 31 December 2021.

For more information about Right-of-use assets, refer to Note 19 - Leases.

Disposal of drilling unit

The rig Deepsea Bergen was disposed for recycling in December 2020.

Depreciation drilling units

Deepsea Atlantic is depreciated from 4 August 2009, Deepsea Stavanger is depreciated from 16 September 2010, Deepsea Aberdeen is depreciated from 21 April 2015, and Deepsea Nordkapp is depreciated from 10 May 2019.

The group evaluates remaining useful lifetime and residual values taking into account current and expected climate risk.

Impairment of property, plant and equipment

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceed the recoverable amount.

Mobile drilling units impaired in previous periods, are assessed for reversal of the impairment whenever there are indicators that the impairment loss previously recognised no longer exist or has decreased.

Odfjell Drilling has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021.

Note 11 Intangible assets

Accounting policy - Goodwill and Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest and net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired entity and the fair value of non-controlling interest in the acquired entity.

Software assets are stated at their historical cost less any accumulated amortisation and any accumulated impairment losses. Historical cost includes the purchase price and any directly attributable costs of bringing the asset to working condition.

Accounting policy - Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Specification and movements 2021

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2021	19,740	23,242	1,650	1,284	45,916
Additions	-	5,617	466	48	6,130
Disposal at loss of control of subsidiary	(793)	-	-	-	(793)
Currency translation differences	(586)	(898)	-	-	(1,484)
Cost as at 31 December 2021	**18,361**	**27,961**	**2,116**	**1,332**	**49,769**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2021	-	(16,454)	(179)	(391)	(17,024)
Amortisation	-	(4,336)	(262)	(276)	(4,875)
Currency translation differences	-	644	-		644
As at 31 December 2021	**-**	**(20,146)**	**(441)**	**(667)**	**(21,254)**
NET BOOK VALUE AT 31 DECEMBER 2021	18,361	7,815	1,675	665	28,516
Useful lifetime		*3-7 years*	*5-10 years*	*10 years*	
Depreciation schedule		*Straight line*	*Straight line*	*Straight line*	

Specification and movements 2020

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2020	18,443	21,585	1,650	787	42,465
Additions	-	932	-	497	1,429
Acquisition of subsidiary	680	-	-	-	680
Currency translation differences	617	724	-	-	1,341
Cost as at 31 December 2020	19,740	23,242	1,650	1,284	45,916
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2020	-	(12,627)	(14)	(146)	(12,787)
Amortisation	-	(3,132)	(165)	(244)	(3,542)
Currency translation differences	-	(695)	-	-	(695)
As at 31 December 2020	-	(16,454)	(179)	(391)	(17,024)
NET BOOK VALUE AT 31 DECEMBER 2020	19,740	6,788	1,471	893	28,892
Useful lifetime		*3-7 years*	*5-10 years*	*10 years*	
Depreciation schedule		*Straight line*	*Straight line*	*Straight line*	

Software - Global Standard integrated system

Software includes the Global Standard integrated system (IFS). This software is amortised using the straight-line method over an estimated lifetime of 7 years. The Group has conducted an assessment at year-end to determine if there are any impairment indicators that might warrant a further review of the carrying value of the Global Standard system. No such indicators were found, therefore there has not been an impairment adjustment.

Internally developed assets

The carrying amount of internally developed assets include development expenses incurred in connection with developing a new drill-hole cleaning tool. The technology has been patented. The Group have documented that the new technology met the criteria for recognition in the balance sheet. The new tool is part of Odfjell Well Services product line and is expected to generate future cash flow to support the book value as at 31 December 2021.

The developed assets are amortised using a straight-line method over an estimated lifetime of 10 years.

Impairment tests for goodwill - Accounting principle

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Summary of goodwill allocation for each operating segment

USD thousands	Mobile OffshoreDrilling Units 2021	Mobile OffshoreDrilling Units 2020	Energy 2021	Energy 2020	Well Services 2021	Well Services 2020	Total 2021	Total 2020
At 1 January	3,418	3,322	12,061	10,981	4,261	4,141	19,740	18,443
Acquisition of subsidiary	-	-	-	680	-	-	-	680
Disposal due to loss of control of subsidiary *	-	-	(793)	-	-	-	(793)	-
Translation differences	(111)	96	(337)	400	(139)	120	(586)	617
Net book value at 31 December	**3,307**	**3,418**	**10,932**	**12,061**	**4,122**	**4,261**	**18,361**	**19,740**

** 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 15% as at 31 December 2021. Odfjell Oceanwind AS is now classified as a joint venture, and is accounted for using the equity method from May 2021.*

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 2022 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.

Key assumptions for value-in-use calculations	Mobile Offshore Drilling Units 2021	Mobile Offshore Drilling Units 2020	Energy 2021	Energy 2020	Well Services 2021	Well Services 2020
EBITDA margin in prognosis period	11% - 15%	13% - 16%	5% - 8%	5% - 7%	22% - 36%	25% - 29%
Growth rate year 6 and forward	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10 %	10 %	10 %	10 %	12 %	10 %

Impairment tests performed for goodwill for respective CGUs do not indicate any impairment as per 31.12.2021.

Sensitivity analysis for goodwill impairment test as at 31.12.2021

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 4 million in the Well Services segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 11 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 31 December 2021.

Note 12 Other assets

Other non-current assets

USD thousands	31.12.2021	31.12.2020
Deposits	2,726	2,588
Total other non-current assets	**2,726**	**2,588**

Other current assets

USD thousands	Note	31.12.2021	31.12.2020
Derivative financial instruments	25	584	5,726
Prepaid expenses		9,446	10,656
Assets from contract costs	15	7,260	-
Income tax receivables		2,973	852
VAT receivables		3,384	4,906
Other current receivables		4,358	1,695
Total other current assets		**28,005**	**23,834**

Note 13 Spare parts

Spare parts are stated at the lower of cost and net realisable value. Cost is attributed using the first-in, first-out (FIFO) method. The costs of spare parts comprise the purchase price, import duties and other taxes, transport and handling and other costs directly attributable to the acquisition of the goods. Trade discounts, rebates and other similar items are deducted in determining cost.

Note 14 Financial assets and liabilities

Accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group classify financial assets in the following categories:

- amortised cost,
- financial assets at fair value through profit or loss (FVPL),
- financial assets at fair value through other comprehensive income (FVOCI)

Management determines the classification of financial assets at their initial recognition.

Derivatives are valued at fair value through profit or loss (FVPL) unless designated as hedges.

Debt instruments like loans and receivables held to receive payment of principal and interest are valued at amortised costs. The group has applied the practical expedient under IFRS 9 and are measuring the initial recognition of trade receivables at the transaction price determined under IFRS 15.

Debt instruments like bonds held to receive profit from sale in addition to interest are valued at fair value through profit and loss (FVPL).

Equity instruments like investments in shares are valued at fair value through profit and loss (FVPL).

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement in the period they occur.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Realised gains and losses arise from financial assets not designated for hedging, are recognised in the income statement as financial item in the period they occur.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at :

- fair value through profit or loss,
- loans and borrowings,
- payables, or as
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

The Group's financial liabilities at fair value through profit or loss include derivative financial instruments not designated as hedging instruments in hedge relationship as defined by IFRS 9.

The loans and borrowings category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Refer to further information in Note 18 - Interest-bearing borrowings .

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability , or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Significant judgement and estimation uncertainty

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. Changes in parameters such as volatility of share price, risk-free interest rate etc. could have substantial impacts on the estimated warrant liability. See further information about the warrant liability and assumptions applied in Note 25 Market risk.

Financial instruments by category and level

The tables below analyse financial instruments carried at fair value, by valuation method, based on the lowest level input that is significant to the fair value measurement as a whole. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - 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)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount. As the time horizon is due in short term, future cash flows are not discounted.

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 and foreign exchange agreements are fair valued using forward 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.

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made in 2021 related to the warrant agreements, nor to the modelling technique used to calculate fair value. Changes in book value relate to fair value changes.

The Group had the following financial instruments at each reporting period:

USD thousands	Note	Level	31.12.2021	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	25	2	4,963	-
- Foreign exchange forward contracts - Other current assets	25	2	-	1,360
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	25	2	584	4,366
OTHER FINANCIAL ASSETS				
Other non-current receivables	12		2,726	2,588
Contract assets	15		10,221	9,898
Trade receivables	16		154,547	161,889
Other current receivables	12		4,358	1,695
Cash and cash equivalents	17		173,031	206,895
Total assets as at 31.12			350,429	388,691

The fair value of financial assets and liabilities at amortised cost approximate their carrying amount.

USD thousands	Note	Level	31.12.2021	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	25	2	-	828
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	25	2	3,017	10,545
Warrant liabilities - Other non-current liabilities	25	3	950	5,250
OTHER FINANCIAL LIABILITIES				
- Non-current interest-bearing borrowings	18		875,352	695,792
- Current interest-bearing borrowings	18		161,058	515,799
- Non-current lease liabilities	19		38,282	36,920
- Current lease liabilities	19		7,796	7,633
- Trade payables			43,190	52,667
- Other current liabilities	22		56,621	66,519
Total liabilities as at 31.12.			1,186,268	1,391,953

Note 15 Contract balances

Accounting policies - Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

For costs to fulfil contracts where the Group operates as a lessor, the Group has chosen to apply the guidance in IFRS 15 by analogy.

Accounting policies - Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract balances specification

USD thousands	31.12.2021	31.12.2020
Contract assets	10,221	9,898
Contract liabilities	(27,387)	(17,691)

The contract assets as at 31 December 2021 and 31 December 2020 are mainly related to the management agreement with CIMC Raffles regarding management and operation of the Deepsea Yantai. Accrued revenue for the services provided during transit and first mobilisation is payable at the expiry or the termination of the management agreement, or will be offset in the purchase price of the rig, should Odfjell Drilling purchase the unit.

Of the Contract liabilities as at 31 December 2021, approximately USD 22 million relates to Mobile Drilling Unit contracts, and will be recognised as revenue over the contracts' drilling periods. Approximately USD 5.6 million relates to Drilling Operations contracts and will be recognised as revenue over an estimated period up to 5 years.

Set out below is the amount of revenue recognised from:

USD thousands	2021	2020
Amounts included in contract liabilities at the beginning of the year	12,608	34,445
Performance obligations satisfied in the previous years	2,676	5,245

Assets from contract costs

USD thousands	Note	2021	2020
Asset recognised at 31 December from costs incurred to fulfil a contract	12	7,260	-
Amortisation recognised as cost of providing services during the period		4,236	54,925

The group has recognised assets for costs incurred to fulfil a contract with customers. The assets are presented within other current assets in the balance sheet.

The asset from contract costs as at 31 December 2021 is related to drilling operations to be performed by the mobile drilling unit Deepsea Aberdeen under the contracts with Winthershall and Equinor, and consisted of cost incurred regarding these specific drilling contracts, including modification projects that does not meet requirements for classification as fixed assets. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

The amortisation cost recognised in 2020 relates to drilling operations performed by the mobile drilling unit Deepsea Stavanger in South Africa under the drilling contract with Total.

Note 16 Trade receivables

Accounting policy

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables are financial assets and are recognised and measured according to accounting policies described in Note 14 - Financial assets and liabilities.

Trade receivables specification

USD thousands	Note	31.12.2021	31.12.2020
Trade receivables		103,129	131,735
Earned, not yet invoiced operating revenues		52,824	31,287
Loss allowance	26	(1,406)	(1,132)
Trade receivables - net		**154,547**	**161,889**

As the receivables are due in the short term, the fair value is approximately equal to the carrying amount, and the future cash flows are not discounted.

For information about currencies, ageing and loss allowance, refer to Note 26 - Credit risk.

Note 17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other current highly-liquid investments with original maturities of three months or less.

USD thousands	31.12.2021	31.12.2020
Cash in bank	83,556	180,973
Time deposits	63,507	137
Retention accounts *	11,940	12,207
Restricted bank deposits **	14,028	13,578
Total cash and cash equivalents	**173,031**	**206,895**

** Retention accounts consist of cash provision for accrued, but not paid, interest and instalments due within one to five months.*

*** The restricted bank deposits are mainly related to tax withholdings for employees.*

Note 18 Interest-bearing borrowings

Accounting policy

Borrowings are financial liabilities recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Also refer to accounting policies regarding *Financial liabilities* in Note 14 - Financial assets and liabilities.

Interest-bearing borrowings specification as at 31 December

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Bank borrowings	839,316	156,211	995,526	660,526	511,211	1,171,737
Transaction cost, unamortised	(11,333)	-	(11,333)	(11,061)	(1,420)	(12,481)
Seller's credit	47,369	-	47,369	46,326	-	46,326
Accrued interest expenses	-	4,847	4,847	-	6,009	6,009
Carrying amounts interest-bearing borrowings	**875,352**	**161,058**	**1,036,410**	**695,792**	**515,799**	**1,211,591**

Movements in interest-bearing borrowings

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Carrying amount as at 1 January	**695,792**	**515,799**	**1,211,591**	**1,173,882**	**216,581**	**1,390,462**
CASH FLOWS:						
New bank loan raised	-	-	-	25,000	-	25,000
Repayment bank loan	-	(176,211)	(176,211)	-	(208,211)	(208,211)
Paid transaction costs related to amendments	(2,133)	-	(2,133)	-	-	-
NON-CASH FLOWS:						
Reclassified	179,182	(179,182)	-	(508,226)	508,226	-
Change in transaction cost, unamortised	2,512	769	3,281	5,136	164	5,300
Change in accrued interest cost	-	(118)	(118)	-	(960)	(960)
Carrying amount as at 31 December	**875,352**	**161,058**	**1,036,410**	**695,792**	**515,799**	**1,211,591**

Repayment schedule for interest-bearing borrowings as at 31 December

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Maturity within 3 months	-	26,053	26,053	-	21,053	21,053
Maturity between 3 and 6 months	-	52,053	52,053	-	67,053	67,053
Maturity between 6 and 9 months	-	26,053	26,053	-	21,053	21,053
Maturity between 9 months and 1 year	-	52,053	52,053	-	402,053	402,053
Maturity between 1 and 2 years	445,816	-	445,816	84,211	-	84,211
Maturity between 2 and 3 years	440,869	-	440,869	263,816	-	263,816
Maturity between 3 and 4 years	-	-	-	358,826	-	358,826
Maturity between 4 and 5 years	-	-	-	-	-	-
Maturity beyond 5 years	-	-	-	-	-	-
Total contractual amounts	886,685	156,211	1,042,896	706,853	511,211	1,218,063

Refer to Note 24 and Note 25 for further information regarding liquidity risk and interest risk.

Refinancing

30 June 2021, the Group 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 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.

Remaining contractual amount of USD 185 million as at 31 December 2021.

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, was 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.

Remaining contractual amount of USD 150 million as at 31 December 2021 was repaid 1 March 2022.

The Odfjell Invest Ltd. facilities

Remaining contractual amount for the senior bank facility of USD 312.5 million and USD 100 million for the junior facility as at 31 December 2021.

The Odfjell Rig V Ltd. facility

Remaining contractual amount of USD 248 million as at 31 December 2021 for the bank facility.

The Odfjell Rig V Ltd. seller's credit

Seller's credit, including capitalized interest amount to USD 48 million as at 31 December 2021.

The carrying amount and fair value of the non-current liabilities are as follows:

The fair value of non-current borrowings equals their carrying amount, as the loans have floating rates and credit margins have been stable from the loan raising.

Available drawing facilities

The group has no available not drawn facilities as per 31 December 2021.

Compliance with financial covenants as at 31.12.2021

The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2021.

Financial covenants

The borrowing facilities in the Odfjell Drilling Group include the following main covenants:

Group covenants

The Odfjell Drilling Group has agreed to maintain, at all times, a minimum free liquidity (cash and cash equivalents) requirement of USD 50 million and a total liquidity of minimum 5 per cent of interest bearing debt (on consolidated basis) (if the Odfjell Drilling Group 12 months prior to delivery of any investments in excess of USD 100 million has any not financed capital expenditure related to such investment, the minimum free liquidity requirement will increase to USD 100 million). The Odfjell Drilling Group has agreed to maintain book equity of at least USD 600 million and an equity ratio (equity to total assets) of minimum 30 per cent, increasing with 1% each calendar year from and including 2019, up to 35%. Further, the group has agreed at all times to maintain a leverage ratio (net interest bearing debt to EBITDA) not exceeding 5.00:1:00. EBITDA and Interest Bearing Debt related to a new-build (drilling rig/vessel) or second-hand fleet addition shall be disregarded until the first full month after the earlier of (i) six (6) months after commencement of a firm employment contract for such new-build or second-hand fleet addition and (ii) twelve (12) months from the contractual delivery date (within the yard's delivery window) for such unit. Thereafter, actual EBITDA shall be annualised until a full twelve month earnings history related to that new-build or second-hand fleet addition has been achieved. The ratio of current assets to current liabilities shall at all times be a minimum 1.00:1.00.

Odfjell Invest Ltd – USD 425 million facility

The facility agreement provides for mandatory prepayment if Helene Odfjell (and her descendants) cease to own at least 50.1% of the shares in Odfjell Drilling Ltd.

The facility agreement contains undertakings and covenants, and terms and conditions which are considered to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of Deepsea Stavanger and Deepsea Atlantic.

Odfjell Drilling may pay dividends in an amount up to 50% of its net income in its previous financial year. The facility agreement further contains default and cross-default provisions, all applicable to Odfjell Invest Ltd., and its subsidiaries, and in some cases the Odfjell Drilling Group. The cross-default provision is only applicable to the Odfjell Drilling Group in relation to a default on indebtedness of more than USD 5 million.

Odfjell Invest Ltd – USD 100 million junior facility

The junior facility contains materially the same undertakings and covenants as the USD 425 million facility.

The junior facility has no fixed instalments, but shall on certain conditions be partly repaid annually by free and available liquidity of the Odfjell Drilling Group above USD 175 million, however so that any such repayment shall be limited to 50% of the previous year's net result and adjusted for any identified liquidity requirements. Dividends and other distributions on the common shares of Odfjell Drilling are subject to lender's prior written consent for as long as the junior facility is outstanding.

Odfjell Rig III Ltd – USD 530 million facility

Payment of dividends from Odfjell Drilling Ltd., on ordinary shares shall be limited to 50% of its net income, provided that the lenders and Eksfin have on each occasion given their prior written consent. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of the semi-submersible drilling rig "Deepsea Aberdeen". Further, the Facility Agreement also contains default and cross default provisions, all applicable to Odfjell Rig III Ltd., including the Odfjell Drilling Group and the Odfjell Rig Owning Ltd., Group.

Odfjell Drilling Services - USD 150 million facility

The Odfjell Drilling Services Group has agreed to maintain, at all times, a minimum liquidity of at least USD 35 million. Further, the Odfjell Drilling Services Group has agreed to maintain an equity ratio (equity to total assets) of minimum 30 per cent. The Odfjell Drilling Services Group has also agreed to ensure that the ratio of current assets to current liabilities shall at all times be minimum 1.00. Finally, the interest coverage ratio (EBITDA to net finance charges) of the Odfjell Drilling Services Group calculated on a 12 months' rolling basis shall be above 2.0x.

Further, the facility agreement implies certain restrictions on ownership, including that (i) Helene Odfjell and descendants shall own and control (directly or indirectly) at least 50.1 per cent of the voting rights and capital interest in Odfjell Drilling Ltd., and (ii) Odfjell Drilling Ltd., shall own and control, either directly or indirectly, 100 per cent of Odfjell Drilling Services Ltd., and Odfjell Rig Owning Ltd. The facility agreement also involves further restrictions on, inter alia, financial indebtedness, capital expenditures and financial support, all such provisions mainly applicable to Odfjell Drilling Services Group only.

The facility agreement otherwise contains undertakings and covenants which Odfjell Drilling Services Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information and certain restrictions on corporate actions and change of business. Payment of dividends from Odfjell Drilling Ltd., on ordinary shares shall be limited to 50% of its net income, provided that the lenders have on each occasion given their prior written consent. Further, the facility agreement also contains default and cross default provisions, all applicable to the obligors under the facility agreement, however such that cross default is applicable to any member of the Odfjell Drilling Group.

Odfjell Rig V Ltd - USD 325 million facility

The loan facility was fully drawn on 3 January 2019 in relation to the delivery of Deepsea Nordkapp that took place on 7 January 2019. Dividends on ordinary shares shall be limited to 50% of its net income. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

Otherwise, the facility contains provisions that are regarded as customary for these type of facilities, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of the semi-submersible drilling rig "Deepsea Nordkapp".

Odfjell Rig V Ltd - USD 43.25 million seller's credit from Samsung

USD 43.25 million seller's credit granted to Odfjell Rig V Ltd by Samsung Heavy Industries at delivery of Deepsea Nordkapp 7 January 2019, which is subordinated to the USD 325 million facility. The facility contains covenants that are customary for these type of facilities.

Note 19 Leases

The group's leasing activities as a lessee and how these are accounted for

This note relates to the Group as a lessee only.

The Group leases various offices, workshops and warehouses in addition to some equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension or termination options. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that are based on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable by the group under residual value guarantees, the exercise price of a purchase option if the group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT-equipment and smaller items of office equipment.

The variable lease payments in the lease agreements currently held by the Group are based on an index or a rate, and are therefore included in the calculated lease liability as described above.

Significant judgement and estimation uncertainty

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. IBR is estimated using observable inputs, such as market interest rates, when available. It is required to make certain entity-specific estimates mentioned above.

The balance sheet shows the following amounts related to leases:

USD thousands	Properties 2021	Other fixed assets 2021	Total Right-of-use assets 2021	Properties 2020	Other fixed assets 2020	Total Right-of-use assets 2020
COST						
At 1 January	56,058	-	**56,058**	51,851	792	**52,643**
Additions	9,135	-	**9,135**	2,617	1	**2,617**
Disposals	(3,193)	-	**(3,193)**	(194)	(737)	**(931)**
Currency translation differences	(2,016)	-	**(2,016)**	1,783	(55)	**1,728**
Cost as at 31 December	**59,983**	**-**	**59,983**	**56,058**	**-**	**56,058**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January	(13,481)	-	**(13,481)**	(6,322)	(411)	**(6,732)**
Depreciation	(6,822)	-	**(6,822)**	(6,558)	(355)	**(6,913)**
Disposals	3,193	-	**3,193**	194	737	**931**
Currency translation differences	561	-	**561**	(796)	28	**(767)**
As at 31 December	**(16,549)**	**-**	**(16,549)**	**(13,481)**	**-**	**(13,481)**
NET BOOK VALUE AT 31 DECEMBER	**43,434**	**-**	**43,434**	**42,576**	**-**	**42,576**

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 10 - Tangible fixed assets.

Lease liabilities

USD thousands	31.12.2021	31.12.2020
Non-current	38,282	36,920
Current	7,796	7,633
Total	46,078	44,553

Movements in lease liabilities are analysed as follows:

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Carrying amount as at 1 January	36,920	7,633	44,553	38,901	7,757	46,659
CASH FLOWS:						
Payments for the principal portion of the lease liability	-	(6,126)	(6,126)	-	(5,822)	(5,822)
Payments for the interest portion of the lease liability	-	(2,517)	(2,517)	-	(2,379)	(2,379)
NON-CASH FLOWS:						
New lease liabilities recognised in the year	9,135	-	9,135	2,616	-	2,616
Interest expense on lease liabilities	2,566	-	2,566	2,396	-	2,396
Reclassified to current portion of lease liabilities	(9,074)	9,074	-	(7,854)	7,854	-
Currency exchange differences	(1,264)	(268)	(1,532)	859	223	1,082
Carrying amount as at 31 December	38,282	7,796	46,078	36,920	7,633	44,553

Rental costs for exemptions

USD thousands	2021	2020
Expenses relating to short-term leases	14,638	8,168
Expenses relating to low value items	480	975

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options have not been included in the lease liability, because the group could replace the asset without significant cost of business disruption, or because the group is not certain it would need the asset in the option period.

As at 31 December 2021, potential future cash outflows of USD 63 million (not discounted) have not been included in the lease liability because it is not reasonable certain that these leases will be extended (or not terminated).

Commitments related to leases not commenced as at 31 December 2021

In 2020, the Group entered into office and workshop lease contracts of which one has not been fully commenced as at 31 December 2021 due to construction work. The leased assets are not available for use by the Group as at 31 December 2021. It is estimated that a lease liability of about USD 4 million with a corresponding right-of-use asset will be recognised in 2022.

Note 20 Post-employment benefits

The Group has occupational pension plans in several countries established partly as defined benefit plans (in Norway), partly as multi-employer defined benefit plans accounted for as defined contribution plans (in Norway) and partly as defined contribution plans (in Norway and other countries). The pension plans are measured and presented according to IAS 19.

A number of the Norwegian subsidiaries in the Group are required to have a civil service pension scheme according to the Norwegian Act relating to mandatory occupational pensions. These subsidiaries have pension schemes in accordance with the requirements in this Act.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

Mortality index used in actuarial calculations is K2013.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension plans

The Group has funded defined benefit pension schemes in five Norwegian companies covering a total of 43 active members and 31 pensioners as at 31 December 2021 (46 active members and 29 pensioners as at 31 December 2020). The scheme entitles employees to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company.

In addition to the pension obligations that arises from the funded defined benefit plans, the Group's Norwegian companies have unfunded defined benefit obligations related to pensions and early retirement pensions. The early retirement pensions entitle staff to benefits (about USD 12,000 a year) from the company from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67, if they retire and meet requirement to receive CPA (see below).

The Group has contractual pension agreement (CPA) schemes in Norway established in multi-employer plans. These multi-employer plans are defined benefit plans, but the Group does not have access to the necessary information for the accounting years 2021 and 2020 required to account for these plans as defined benefit plans, and the plans are therefore accounted for as defined contribution plans.

In 2020 the funded pension scheme for seamen's early retirement was settled, resulting in a loss of USD 0.3 million, see table below.

Movements in the net defined benefit obligation

USD thousands	Present value of obligation 2021	Fair value of plan assets 2021	Total 2021	Present value of obligation 2020	Fair value of plan assets 2020	Total 2020
At 1 January	25,722	(18,820)	**6,902**	49,915	(42,190)	**7,725**
Current service cost	1,079	-	**1,079**	937	-	**937**
Loss on plan amendment, curtailment and settlement	-	-	-	320	-	**320**
Interest expense/ (income)	382	(264)	**117**	363	(271)	**93**
Total amount recognised in profit or loss	**1,461**	**(264)**	**1,197**	**1,621**	**(271)**	**1,350**
Re-measurements:						
Loss from change in discount rate	-	-	-	2,330	-	**2,330**
Gain from change in other financial assumptions	737	-	**737**	(1,026)	55	**(971)**
Experience (gains)/loss	(10)	(449)	**(459)**	1,197	(71)	**1,125**
Investment management cost	-	158	**158**	-	130	**130**
Total amount recognised in other comprehensive income	**727**	**(290)**	**437**	**2,501**	**113**	**2,614**
Exchange differences	(849)	653	**(196)**	(1,219)	1,097	**(123)**
Contributions:						
Employers	(239)	(1,697)	**(1,936)**	(572)	(4,058)	**(4,631)**
Payments from plans:			-			-
Benefit payments	(736)	339	**(397)**	(289)	256	**(34)**
Settlements	-	-	-	(26,234)	26,234	-
At 31 December	**26,086**	**(20,079)**	**6,006**	**25,722**	**(18,820)**	**6,902**

Estimated premium payments to funded defined benefit obligations in 2022 amounts to about USD 1.5 million.

Amounts recognised in Statement of Financial Position

USD thousands	31.12.2021	31.12.2020
Present value of funded obligations	23,340	22,542
Fair value of plan assets	(20,079)	(18,820)
Deficit of funded plans	**3,261**	**3,722**
Present value of unfunded obligations	2,745	3,180
Total deficit of defined benefit pension plans	**6,006**	**6,902**

The significant actuarial assumptions were as follows:

	31.12.2021	31.12.2020
Discount rate	1.50%	1.50%
Salary growth rate	2.50%	2.00%
Expected growth in G (base social security amount)	2.25%	1.75%
Pension growth rate	0.0%-2.25%	0.0%-1.75%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

	Change in assumption by:	Impact on Present value of obligation: 31.12.2021	31.12.2020	Change in assumption by:	Impact on Present value of obligation: 31.12.2021	31.12.2020
Discount rate	+0.5%	(1,705)	(592)	-0.5%	1,960	664
Salary growth rate	+0.5%	592	210	-0.5%	(624)	(243)
Pension growth rate	+0.5%	1,235	333	-0.5%	(32)	(33)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The fair value of plan assets is disaggregated by class as follows

	31.12.2021	31.12.2020
Shares	10%	7%
Short term bonds	20%	20%
Money market	11%	11%
Long term bonds	27%	31%
Loans & Receivables	19%	17%
Real estate	14%	14%
Other	1%	0%

Total pension expenses included in personnel expenses are decomposed as per below:

USD thousands	2021	2020
Pension expenses (-net gain) from defined benefit scheme included in personnel expenses	1,079	1,257
Pension expenses from defined contribution schemes	12,154	12,400
Pension expenses from multi-employer plans accounted for as defined contribution schemes	7,739	6,194
Total pension expenses included in personnel expenses	**20,972**	**19,852**

See also Note 7 - Personnel expenses for further information regarding personnel expenses.

Note 21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are financial liabilities recognised initially at fair value and subsequently measured at face value, due to short time to maturity. Also refer to accounting policies in Note 14 - Financial assets and liabilities.

Note 22 Other liabilities

Other current liabilities specification

USD thousands	31.12.2021	31.12.2020
Social security and other taxes	24,613	25,075
Accrued salaries, holiday pay and employee bonus provisions	37,537	37,107
Other payables and financial liabilities	2,018	6,589
Other accrued expenses	17,067	22,822
Total other current liabilities	**81,234**	**91,594**

Refer to Note 30 - Contingencies for further information about accounting policy for provisions and accruals, as well as significant judgement applied and estimation uncertainty.

Note 23 Financial risk management

Capital management and funding

The primary objective of the Group's capital management is to ensure that it maintains required capital ratios and liquidity available to support the business areas. Capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in financial markets. Capital management also comprise securing the company to be in compliance with covenants on interest bearing debt. Reference is made to Note 18 - Interest-bearing borrowings which disclose information about covenants on long term interest bearing liabilities.

The Group will manage the capital structure and make adjustments to it, to maintain an optimal structure adapted to current economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payments, buy treasury shares, return capital to shareholders or issue new shares.

Deposits / placements

The liquidity management has four main objectives:

- Matching of surplus funds against borrowing requirements.
- Secure a high level of liquidity (a targeted minimum of two months cash flow) in order to meet future plans of Odfjell Drilling.
- Limitation of credit risks.
- Maximise return on liquid assets.

Accordingly, investments may only be made in securities with a rating of Investment grade, BAA (Moodys) , BBB- (Standard and Poors and Fitch IBCA) or better.

A list of counter-party exposure limits is reported to the Board of Odfjell Drilling on a yearly basis.

The following instruments are allowed for short term placements;

- Deposits in banks
- Loans to companies/institutions/ funds (like fixed or floating rate bonds, senior or subordinated debt)
- Certificates
- Money-market funds

Working Capital

The company's policy is to have working capital corresponding to two months’ operating expenses.

	31.12.2021	31.12.2020
Equity	1,268,174	1,198,503
Total assets	2,515,151	2,640,491
Equity ratio	**50%**	**45%**
Cash and cash equivalents excl.restricted capital	159,003	193,317
Available drawing facilities	-	-
Total available liquidity	**159,003**	**193,317**

Financial risk factors

The Group is exposed to a range of financial risks: liquidity risk, market risk (including currency risk, interest rate risk, and price risk), and credit risk.

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. To some extent, the Group uses derivative financial instruments to reduce certain risk exposures.

Risk management is carried out on a Group level. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd. has established

written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Note 24 Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.

With regular forecasts and liquidity analysis updates, the Group will ensure sufficient available liquidity to fulfil its duties at loan maturity, without unacceptable loss or risk of damaging the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's cash flow forecasting is performed by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group Treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

Odfjell Drilling held cash and cash equivalents amounting to USD 173 million at the end of 2021. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2022.

The liquidity risk is connected with the market risk and the re-contracting risk for mobile drilling units. The management continuously focuses on securing new profitable contracts for the Group's mobile drilling units to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 30 regarding notice of decision received 1 October 2021 from HM Revenue and Customs. The Group has per 31 December 2021 not received any formal material assessment which is not disclosed 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. See Note 9 - Income Taxes for further information.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024. See Note 18 - Interest-bearing borrowings for further information about maturity of contractual amounts.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual non-discounted cash flows. The table include estimated interest payments for drawn facilities at the balance sheet date, based on the remaining period at the end of the reporting period to the contractual maturity date. The estimated interest payments include payments based on forward rates for the interest rate swaps.

Maturity of financial liabilities - 31.12.2021

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	97,107	96,317	477,168	452,501	-	**1,123,094**	1,036,410
Lease liabilities	3,955	3,842	7,507	19,690	22,528	**57,522**	46,078
Trade payables	43,124	66	-	-	-	**43,190**	43,190
Other current payables	51,252	5,370	-	-	-	**56,621**	56,621

Maturity of financial liabilities - 31.12.2020

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	115,714	448,514	116,424	660,045	-	**1,340,698**	1,211,591
Lease liabilities	4,035	3,600	6,727	17,361	24,614	**56,338**	44,553
Trade payables	52,643	25	-	-	-	**52,667**	52,667
Other current payables	62,921	3,597	-	-	-	**66,519**	66,519

Note 25 Market risk

Market risk is the risk of a change in market prices and demand, as well as changes in currency exchange rates and interest levels.

The re-contracting risk for the Group's wholly owned mobile drilling units is limited in 2022, as all units in the fleet has medium to long-term contracts.

Contract status and currency exposure in rig rates

Deepsea Atlantic commenced its Johan Sverdrup phase 2 contract with Equinor on 31 December 2021 after completing several wells under the Master Frame Agreement with Equinor in 2021. The rig is expected to have full operations until mid 2023. The dayrates are split in a USD element and a NOK element.

Deepsea Stavanger has been operating for both Lundin and Aker BP during 2021. The contract with Aker BP was finalised on 8 November and the rig again returned to operations for Lundin on 1 January 2022 for a one well program. Deepsea Stavanger finalised this well at the end of January and on 1 February 2022 commenced its work under the Master Frame Agreement with Equinor. The current fixed well program with Equinor is expected to take firm operations into Q3 2022. The dayrate includes USD and NOK elements in order to hedge the local currency exposure.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The rig has currently firm work into Q1 2024 as Aker BP in February 2022 exercised a scope based option covering four development wells on the Norwegian Continental Shelf. The dayrate includes USD and NOK elements in order to hedge the local currency exposure.

Deepsea Aberdeen is scheduled to work for Wintershall until it will commence its long-term contract with Equinor at the Breidablikk field in spring 2022. The rate with Equinor consists of a USD element and a NOK element. The rate from Wintershall is solely in USD and the group has entered into currency forward contracts to hedge its currency exposure during most of the contract period.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a continuous basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash-flow hedges). At the date of the hedging transaction, the Group 's documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

- The effective portion of the gain or loss on the cash flow hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.
- Amounts recognised directly in other comprehensive income are reclassified as income or expense in the income statement in the period when the hedged liability or planned transaction will affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income/expenses.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria or the group has elected not to apply hedge accounting, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The group has the following derivative financial instruments in the following line items in the balance sheet:

USD thousands	31.12.2021	31.12.2020
CURRENT ASSETS		
Foreign exchange contracts - at fair value through profit or loss	-	1,360
Foreign exchange contracts - cash flow hedges under hedge accounting	584	4,366
Total current derivative financial instruments asset	**584**	**5,726**
NON-CURRENT ASSETS		
Interest rate swaps - at fair value through profit or loss	4,963	-
Total non-current derivative financial instruments asset	**4,963**	**-**
NON-CURRENT LIABILITIES		
Interest rate swaps - at fair value through profit or loss	-	828
Interest rate swaps - cash flow hedges under hedge accounting	3,017	10,545
Warrant liability - at fair value through profit or loss	950	5,250
Total non-current derivative financial instruments liabilities	**3,967**	**16,623**

The group's hedging reserves disclosed in Note 28 - Other reserves related to the following instruments:

Cash flow hedging reserves

USD thousands	Currency forwards	Interest rate swaps	Total hedge reserves
Opening balance 1 January 2020	**-**	**1,124**	**1,124**
Change in fair value of hedging instruments recognised in OCI	4,366	(13,651)	(9,285)
Reclassified from OCI to profit or loss	-	1,982	1,982
Closing balance 31 December 2020	**4,366**	**(10,545)**	**(6,179)**
Change in fair value of hedging instruments recognised in OCI	175	3,335	3,652
Reclassified from OCI to profit or loss	(3,956)	4,193	237
Closing balance 31 December 2021	**584**	**(3,017)**	**(2,291)**

In addition to the amounts disclosed in the reconciliation of the hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

Amounts recognised in profit or loss

USD thousands	31.12.2021	31.12.2020
INTEREST RATE SWAPS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Amounts recognised in interest expenses	(786)	(430)
Change in fair value	5,790	(758)
FOREIGN EXCHANGE CONTRACTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	(1,360)	1,337
Warrant liability - at fair value through profit or loss		
Change in fair value	4,300	3,861

Foreign exchange risk

The consolidated material subsidiaries' reporting and functional currencies are USD, NOK, GBP and EUR.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are mainly priced in USD while most of the operating expenses are in local currency. The Group seeks to minimise these risks through currency hedging via financial instruments or by off-setting local currency elements in charter contracts.

Quoted mark-to-market values from financial institutions have been used to determine the fair value of the foreign exchange contracts at the end of the year. The foreign exchange contracts are only used for economic hedging purposes and not as speculative investments. However, these derivatives did not meet the hedge accounting criteria, and are accounted for at fair value through profit or loss.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

Foreign exchange risk - Exposure - 31.12.2021

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	85,545	5,702	6,448
Trade receivables	64,103	24,991	7,996
Contract assets	7,122	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(41,737)	(1,383)	(2,958)
Trade payables	(24,921)	(5,768)	(2,655)
Other current payables	(68,221)	(4,954)	(1,718)
FOREIGN CURRENCY FORWARDS			
Buy foreign currency (cash flow hedges under hedge accounting)	17,410	-	-

Foreign exchange risk - Exposure - 31.12.2020

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	70,607	8,740	7,353
Trade receivables	65,300	18,705	8,945
Contract assets	7,361	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(40,825)	(1,803)	(1,925)
Trade payables	(30,085)	(3,861)	(4,065)
Other current payables	(72,202)	(2,492)	(1,748)
FOREIGN CURRENCY FORWARDS			
Buy foreign currency (cash flow hedges under hedge accounting)	46,348	-	-
Buy foreign currency (at fair value through profit or loss)	15,639	-	-

Foreign currency forwards

Foreign currency forwards	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2021						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	153,544	Jan 2021 - April 2022	1:1	0.11322	584
31.12.2020						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	395,472	April 2021 - November 2021	1:1	0.11728	4,366
Foreign exchange contracts (at fair value through profit or loss)	NOK	133,443	January 2021 - March 2021	1:1	0.11737	1,360

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

USD thousands	2021	2020
Net currency gain / (loss) included in finance costs	1,184	(2,830)

As shown in the table above, the Group is primarily exposed to changes in USD/NOK exchange rates.

Sensitivity to changes in USD/NOK exchange rates

Sensitivity to changes in USD/NOK exchange rates	USD is strengthened by 20 % against NOK		USD is strengthened by 10 % against NOK		USD is weakened by 10 % against NOK	
USD thousands	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	(4,439)	(8,848)	(2,421)	(4,826)	2,960	5,899
Current receivables	5,396	3,187	2,943	1,738	(3,597)	(2,125)
Current liabilities	(620)	(249)	(338)	(136)	413	166
Net effect on profit before tax	**337**	**(5,910)**	**184**	**(3,224)**	**(225)**	**3,940**
Effect on Other comprehensive income	(11,917)	(8,012)	(6,500)	(4,370)	10,945	5,341
Net effect on total comprehensive income / equity	**(11,580)**	**(13,922)**	**(6,316)**	**(7,594)**	**10,720**	**9,281**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. Apart from the fixed interest Eksportfinansiering Norge tranche of the Deepsea Aberdeen facility, the Group's borrowings have floating USD LIBOR based interest rates. The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors is on regular basis considering the interest payment hedging of the external financing and mandate administration to execute necessary changes.

The Group had 13 interest rate swap agreements at 31 December 2021. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the swap agreements at the end of the year. Some of the instruments were documented as cash flow hedges and other as financial investments, and changes in fair value were recognised in other comprehensive income (cash flow hedging) and others recognised through profit and loss statement (financial investments not defined as cash flow hedges).

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Including interest rate swaps entered into, the fixed-rate portion of the group's interest bearing debt per 31 December 2021 is approximately 55%.

The swap contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Average interest rate for 2021 was 4.2% (4.7% for 2020), including the effect of interest rate hedging.

Estimated fair value calculations from external financial institutions have been used to determine the fair value of the swap agreement at the end of the year.

The Group monitors its interest rate exposure on a dynamic basis. The Group calculates the impact on profit and loss of a defined interest rate shift.

As of 31.12.2021 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
Cash flow hedges under hedge accounting	248,026	2023	1:1	1.4392%	(2,420)
Cash flow hedges under hedge accounting	62,500	2024	1:1	1.4371%	(597)
At fair value through profit or loss	200,000	2025	1:1	0.4475%	4,963

As of 31.12.2020 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
At fair value through profit or loss	26,000	2021	1:1	1.8530%	(238)
Cash flow hedges under hedge accounting	282,237	2023	1:1	1.4392%	(8,216)
Cash flow hedges under hedge accounting	72,500	2024	1:1	1.4371%	(2,329)
At fair value through profit or loss	200,000	2025	1:1	0.4350%	(590)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

USD thousands	31.12.2021	% of total loans	31.12.2020	% of total loans
Variable rate borrowings - USD LIBOR	472,369	45%	557,326	46%
FIXED RATE BORROWINGS - REPRICING OR MATURITY DATES:				
Less than 1 year	-	0%	106,000	9%
1-5 years	570,526	55%	554,737	46%
Later than 5 years	-	0%	-	0%
Total contractual amounts*	1,042,896	100%	1,218,063	100%

** Including Seller's credit*

The result of the calculation on sensitivities returns the following expected values (incl. interest rate swaps entered into as at 31 December):

- If interest rate is increased by 1.0 %, the effect would be an increase in financing costs of USD 4 million for the next 12 months as at 31 December 2021, compared to USD 5 million at 31 December 2020.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

Group treasury is managing the group's USD LIBOR transition plan. The most significant change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

No financial instruments have transitioned to an alternative benchmark rate at the end of the reporting period. No material financial effects are expected as a result of the IBOR reform.

Relief applied

The group has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019 and the Interest Rate Benchmark Reform - Phase 2 - amendments:

- When considering the 'highly probable' requirement, the group has assumed that the USD LIBOR interest rate on which the group's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the group has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- The group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- If the basis for determining contractual cash flows of a financial asset or liability measured at amortised cost changes solely as a result of the IBOR reform, the Group will update the effective interest rate to reflect the change that is required
- The phase 2 amendments provide temporary exceptions from certain hedge accounting requirements due to changes required by the IBOR reform. The Group will apply these reliefs that allow for continuing the hedging relationship.

Warrant liabilities

On 30 May 2018 the company issued warrants for 5,925,000 common shares to an affiliate of Akastor ASA for a total consideration of USD 1.00. The Warrants will be exercisable in six equal tranches from 2019 to 2024. A tranche which has become exercisable may also be exercised on the exercise dates for the subsequent tranches if the conditions for such subsequent exercise(s) are satisfied. Each tranche may be exercised if the price of the Shares has increased by a defined percentage over NOK 36 on the relevant exercise date (i.e. 31 May in 2019, 2020, 2021, 2022, 2023 and 2024 respectively), being NOK 43.20 for tranche 1, NOK 51.84 for tranche 2, NOK 62.21 for tranche 3, NOK 74.65 for tranche 4, NOK 89.58 for tranche 5 and NOK 107.50 for tranche 6. On 30 May 2024, any non-exercised Warrants will, to the extent the thresholds have not been met, be exercisable on a linear prorate basis, subject to the company's share price being within the range of NOK 36 and NOK 107.50.

No warrants have been exercised in 2020 or 2021.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognised in the consolidated statements of operations and comprehensive loss at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (common shares) if and when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value.

Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant). Any remaining fair value is recorded through the statement of operations and comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. The path-dependent nature of the instrument is modelled using a Monte Carlo simulation approach which uses computer generated random numbers to simulate share price paths. The price paths are generated using a process known as Geometric Brownian Motion (GBM). The price distributions generated by GBM are consistent with the assumptions underlying the widely used Black-Scholes model to price equity options.

The calculations are based on the following assumptions:

- Valuation date : 31 December 2021
- Share price: NOK 20.20
- Volatility of share price: 39.45%
- Risk-free interest rate: 1.49%
- USD/NOK exchange rate: 8.8194
- Dividend yield: zero
- No tranches have been exercised

Based on the valuation, fair value of the warrant liability is estimated to be NOK 8 million / USD 0.95 million as at 31 December 2021 (NOK 45 million / USD 5.25 million as at 31 December 2020).

The positive change in fair value in 2021 of USD 4.3 million (positive change of USD 3.9 million in 2020) was recognised as part of Other financial items.

Note 26 Credit risk

Accounting policy

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further description

The Group operates in three core business areas: Mobile offshore drilling units; (MODU), Drilling & Technology and Well Services (OWS). The market for the Group's services is the offshore oil and gas industry, and the customers consist primarily of major integrated oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of the customers and generally does not request material collateral.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, marketable securities, other receivables and certain derivatives instruments receivable amount, the Group's exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. However, the Group believes this risk is limited as the counter-parties mainly have a high credit quality.

During 2021, the Group has continued its focus on credit risk in general related to the uncertain conditions in some geographical markets. The maximum exposure regarding trade receivables is the carrying amount of USD 155 million.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to non-billed work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Included in the Trade receivables as at 31 December 2020 and 31 December 2021 the Group has an outstanding amount of USD 4.6 million towards customers in Iran. The Group's activities in Iran ceased prior to reinforcement of US sanctions early November 2018. No payments have been received after this date, due to no current efficient bank channels out of Iran. The Iranian customers are working on improving the liquidity situation and finding appropriate payment routes. The Group's Iranian customers have previously demonstrated that they prioritise supplier payments, and although delayed, they have historically paid their outstanding.

An impairment loss of USD 0.5 million have been accrued for these Trade receivables as at 31 December 2021.

The ageing of the trade receivables - 31.12.2021

USD thousands	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	130,909	-	130,909
0 to 3 months	0.0%	17,464	-	17,464
3 to 6 months	0.0%	1,015	-	1,015
Over 6 months	21.4%	6,564	(1,406)	5,158
Total		**155,953**	**(1,406)**	**154,547**

Contract assets - 2021

USD thousands	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	10,221	-	10,221

The ageing of the trade receivables - 31.12.2020

USD thousands	Expected loss rate	Gross amount 31.12.2020	Loss allowance 31.12.2020	Net amount 31.12.2020
Not due	0.0%	96,805	(3)	96,802
0 to 3 months	0.2%	54,688	(113)	54,575
3 to 6 months	5.8%	3,068	(178)	2,890
Over 6 months	9.9%	8,461	(839)	7,622
Total		**163,021**	**(1,132)**	**161,889**

Contract assets - 2020

USD thousands	Expected loss rate	Gross amount 31.12.2020	Loss allowance 31.12.2020	Net amount 31.12.2020
Not due	0.0%	9,898	-	9,898

Movements in loss allowance / the provision for impairment of trade receivables and contract assets are as follows:

USD thousands	Trade receivables 2021	Trade receivables 2020	Contract assets 2021	Contract assets 2020
Loss allowance as at 1 January	1,132	1,005	-	-
Utilised	(74)	(218)	-	-
Released provision	(267)	(213)	-	-
New provisions	654	502	-	-
Translation differences	(40)	56	-	-
Loss allowance as at 31 December	**1,406**	**1,132**	**-**	**-**

USD thousands	2021	2020
Net gain (loss) related to trade receivables	(389)	279

The impairment losses recognised are related to receivables arising from the Group's contracts with customers.

Note 27 Share capital and shareholder information

	No.of shares	Nominal value	Share capital - USD thousands
Listed shares / Common shares issued	236,783,202	USD 0.01	2,368
Preference shares issued	16,123,125	USD 0.01	161
Total share capital			**2,529**

Authorised, not issued shares was 47, 093,673 as at 31 December 2021. There are no changes in issued shares or preference shares in 2021. All issued shares are fully paid. No shares are held by entities in the Group.

Largest common shareholders at 31 December 2021	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,847,791	60.33%
J.P.Morgan Securities PLC	Nominee	8,930,601	3.77%
The Bank of New York Mellon SA/NV	Nominee	7,451,851	3.15%
UBS AG London Branch	Ordinary	5,133,589	2.17%
BNP Paribas Securities Services	Nominee	3,890,397	1.64%
Brown Brothers Harriman & Co.	Nominee	3,848,024	1.63%
J.P.Morgan Securities PLC	Nominee	3,139,495	1.33%
State Street Bank and Trust Co.	Nominee	2,469,256	1.04%
State Street Bank and Trust Co.	Nominee	2,167,690	0.92%
Citibank N.A.	Nominee	2,072,126	0.88%
Brown Brothers Harriman & Co.	Nominee	1,988,000	0.84%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,742,518	0.74%
Nordea Bank Abp	Nominee	1,200,000	0.51%
The Bank of New York Mellon SA/NV	Nominee	1,148,614	0.49%
Goldman Sachs International Equity	Ordinary	1,106,572	0.47%
Nordnet Livsforsikring AS	Ordinary	1,082,120	0.46%
Ulsmo Finans AS	Ordinary	905,463	0.38%
Goldman Sachs International	Nominee	814,450	0.34%
Brown Brothers Harriman & Co.	Nominee	789,256	0.33%
Total 20 largest common shareholders		**194,564,813**	**82.17%**
Other common shareholders		42,218,389	17.83%
Total common shareholders		**236,783,202**	**100.00%**

Common shares

The Company has only one class of ordinary shares. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All shareholders are treated on an equal basis.

The Company's common shares are freely transferable in Norway, provided however, that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, (or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share) where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway (or, alternatively, such shares or votes being effectively connected to a Norwegian business activity).

Preference shares

The preference shares are issued to an affiliate of Akastor ASA. The preference shares do not carry any voting rights. The Preference Shares will entitle the holder(s) to a preferred payment in kind dividend of 5% per annum capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually. The Company may elect to postpone the payment of the cash dividend in return for a 5% increase per annum. From 30 May 2024 there will be a dividend step-up, provided that the preference capital has not been repurchased. The Company does not have any obligation to repay the Preference Shares, but have the right to call a portion, or all of the preference shares in exchange for a cash consideration. If the Preference Shares are called before six years after the issue the company will have to pay a premium.

The holders of preference shares do not have the right to participate in any additional dividends declared for ordinary shareholders.

Accounting policy - Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Cash dividend paid in 2021

The Group paid cash dividends of USD 2.1 million in June 2021 (USD 0.131 per share) and USD 2.2 million (USD 0.137 per share) in December 2021, a total of USD 4.3 million in 2021 to the holders of the preference shares.

Preferred payment in kind dividend - 2021

At 30 June 2021 and at 31 December 2021 preferred payment in kind dividend in a total of USD 4.3 million was capitalised, increasing the accrued preference capital balance to USD 89.5 million.

For information about warrants, refer to Note 25.

Note 28 Other reserves

USD thousands	Note	Cash flow hedges	Translation differences	Share-Option plan	Acquisition non-controlling interests	Total
At 1 January 2020		1,124	(75,488)	816	(34,496)	(108,045)
Change in fair value of hedging instruments recognised in OCI	25	(9,285)	-	-	-	(9,285)
Reclassified from OCI to profit or loss	25	1,982	-	-	-	1,982
Currency translation difference		-	4,785	-	-	4,785
Cost of share-based option plan	37	-	-	529	-	529
At 31 December 2020		(6,179)	(70,703)	1,345	(34,496)	(110,034)
Change in fair value of hedging instruments recognised in OCI	25	3,652	-	-	-	3,652
Reclassified from OCI to profit or loss	25	237	-	-	-	237
Currency translation difference		-	(3,839)	-	-	(3,839)
Cost of share-based option plan	37	-	-	528	-	528
At 31 December 2021		(2,291)	(74,542)	1,873	(34,496)	(109,456)

Note 29 Securities and mortgages

Liabilities secured by mortgage

USD thousands	31.12.2021	31.12.2020
Non current liabilities - contractual amounts	886,685	706,853
Current liabilities	161,058	517,219
Total	1,047,743	

Carrying amount of mortgaged assets:

USD thousands	31.12.2021	31.12.2020
Property, plant and equipment	2,108,856	2,203,387
Receivables and contract assets	192,772	195,622
Bank deposits	173,031	206,895
Total	2,474,659	2,605,904

Odfjell Invest Ltd. – USD 425 million Facility

(USD 312.5 million outstanding)

USD 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the loan, substantially all of the assets of Odfjell Invest Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the shares in Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling South Africa Ltd., mortgages over the semi-submersible drilling rigs Deepsea Atlantic and Deepsea Stavanger and assignment of rights to revenue, interest proceeds and bank accounts. In addition, the shares in Odfjell Invest Ltd., have been pledged by Odfjell Rig Owning Ltd., in favour of the lenders. Odfjell Drilling AS' shares in the charter company Odfjell Invest AS have also been pledged.

Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling South Africa Ltd., Odfjell Drilling Ltd. and Odfjell Rig Owning Ltd. have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents.

Odfjell Invest Ltd. – USD 100 million Junior Facility

(USD 100 million outstanding)

USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

The facility is covered by the same security package as the USD 425 million facility on a second priority basis.

Odfjell Rig III Ltd. – USD 530 million Facility

(USD 185 million outstanding)

USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 253.2 million.

As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., Odfjell Drilling Shetland Limited and Deep Sea Drilling Company AS is pledged in favour of the lenders and hedging banks, including a mortgage in Deepsea Aberdeen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., Odfjell Drilling Shetland Limited, Deep Sea Drilling Company AS and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents. The guarantee from Odfjell Offshore Ltd is due to be released upon certain conditions being fulfilled.

Odfjell Drilling Services Ltd. – USD 150 million facility

(USD 150 million outstanding)

A senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 and amended and restated to a USD 150 million facility on 30 June 2021 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders.

As security for the loan, Odfjell Drilling Ltd., Odfjell Well Services II Ltd., Odfjell Partners Invest Ltd., Odfjell Drilling AS, Odfjell Platform Drilling AS, Odfjell Drilling Technology AS, Odfjell Well Services AS, Odfjell Global Business Services AS and Odfjell Well Services Norway AS have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents. Further, substantially all of the assets of Odfjell Drilling Services Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the borrower's shares in Odfjell Partners Invest Ltd., Odfjell Drilling Technology AS and Odfjell Platform Drilling AS, the shares owned by Odfjell Partners Invest Ltd., in Odfjell Well Services Norway AS, Odfjell Well Services AS, Odfjell Well Services Ltd., and Odfjell Well Services II Ltd. In addition, Odfjell Drilling Ltd., has pledged 100 per cent of the shares in Odfjell Drilling Services Ltd., Odfjell Rig Owning Ltd., Odfjell Global Business Services AS and Odfjell Offshore Ltd., and Odfjell Rig Owning Ltd has pledged all its shares in Odfjell Drilling AS.

The loan is also secured with first priority assignments by Odfjell Drilling Services Ltd., and the guarantors (as listed above) of inter-company claims exceeding a certain threshold or term, as well as all accounts receivables, book debts, other debts, financial obligations or other amounts of other kind (including interest) owing, or which with the passage of time would become owing to the borrower and the guarantors. The loan is also secured by first priority floating charges over the assets of Odfjell Drilling Services Ltd and the guarantors (except for Odfjell Drilling Ltd.) to the extent legally obtainable.

Odfjell Rig V Ltd. – USD 325 million Facility

(USD 248 million outstanding)

USD 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

All of the shares in and substantially all of the assets of Odfjell Rig V Ltd., have been pledged in favour of the lenders, including a mortgage over Deepsea Nordkapp which was established at delivery of the unit on 7 January 2019. Also, Odfjell Rig Owning Ltd. and Odfjell Invest II AS, have guaranteed the obligors' obligations under the finance documents. In addition, Odfjell Drilling AS has pledged its shares in Odfjell Invest II AS as security.

Odfjell Rig V Ltd. – USD 43.25 million seller's credit from Samsung

(USD 48 million outstanding)

USD 43.25 million seller's credit granted to Odfjell Rig V Ltd by Samsung Heavy Industries at delivery of Deepsea Nordkapp 7 January 2019.

The seller's credit is secured by a second priority mortgage over Deepsea Nordkapp, a second priority assignment of insurances and a parent company guarantee from Odfjell Rig Owning Ltd. The maximum liability of Odfjell Rig Owning Ltd shall be USD 43.25 million plus any amount of unpaid interest and other expenses under the agreement.

Note 30 Contingencies

Accounting policy - Provisions, contingent liabilities and contingent assets

A provision is recognised when an obligation exists (legal or constructive) as a result of a past event, it is probable that an economic settlement will be required as a consequence of the obligation, and a reliable estimate can be made of the amount of the obligation.

The best estimate of the expenditure required to settle the obligation is recognised as a provision. When the effect is material, the provision is discounted using a market based pre-tax discount rate.

A provision for restructuring costs is recognised when a constructive obligation arises. Such an obligation is assumed to have arisen when the restructuring plan is approved and the implementation of the plan has begun, or its main features are announced to those affected by it.

Contingent liabilities and contingent assets are not recognised. Contingent liabilities are disclosed unless the possibility of an economic settlement as a consequence of the obligation is remote. Contingent assets are disclosed where an economic settlement as a consequence of the asset is probable.

Significant judgement and estimation uncertainty

The Group may from time to time be subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, investments etc., of which the outcomes are subject to significant uncertainty. Management applies significant judgement when evaluating the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made, or increase or decrease an amount accrued for a matter in previous reporting periods.

A Group subsidiary is subject to challenges by HM Revenue and Customs ("HMRC") on the historical application of National Insurance Contributions ("NICs") to workers in the UK Continental Shelf. 1 October 2021, a decision was issued by HMRC against Odfjell Drilling (UK) Ltd ("OD UK") in respect of the historic application of NICs. OD UK has appealed against the decision and no payment has been made to HMRC pending the outcome of the first level appeal. A final verdict is not expected in the short to medium term. Management, taking into consideration advice from independent legal and tax specialists, believes that the most probable outcome is that no outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The potential exposure to OD UK in relation to NICs and interest should it be unsuccessful in defending its position is approximately USD 30 million.

There are no other material contingencies to be disclosed as at 31 December 2021.

Note 31 Commitments

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

USD thousands	31.12.2021	31.12.2020
Rig investments	10,586	31,644
Rental and casing equipment, due in 1 year	22,241	2,811
Total	32,827	34,456

Note 32 Events after the reporting period

The following material events have occurred after balance date:

Spin off of Odfjell Technology in 2022

On 31 January 2022 Odfjell Drilling Ltd announced it was contemplating spinning off its Well Services and Energy segments (the "Spin Off") into a newly established company, Odfjell Technology Ltd. ("OTL" or “Odfjell Technology”), and list the shares in OTL on the Oslo Stock Exchange (the “Listing”).

The Spin Off consists of the group’s current Well Services and Energy segments, as well as the ownership in Odfjell Oceanwind. The Spin Off will also provide business support services, mainly to companies in the Odfjell Drilling Group.

Prior to executing the Spin Off, an internal re-organisation was carried out and the relevant Well Services and Energy companies became subsidiaries of OTL.

On 4 February 2022 Odfjell Technology successfully priced NOK 1.1 bn in senior secured bonds through a private placement. The bonds mature in February 2026 and bear interest of 3 months Nibor plus 700 basis points. The net proceeds from the bond issue, together with a new USD 25 million super senior revolving credit facility at 3 months Libor + 375 basis points, were used to carry out the internal re-organisation and to repay the Odfjell Drilling Services USD 150 million credit facility 1 March 2022.

The shares in Odfjell Technology were distributed to the shareholders of the Company. The ratio for the distribution was 6:1, i.e. 6 shares in the Company gave the holder 1 share in OTL rounded downwards to the closest whole share. The shares in OTL were admitted for trading on the Oslo Stock Exchange 29 March 2022. There was no public offering of shares in Odfjell Technology in connection with the Listing.

As at 31 December 2021, the criteria for classifying the Spin Off as held for distribution to owners were not met. However, the criteria were met 4 February 2022 and the Spin Off businesses will be considered as discontinued operations in Odfjell Drilling's financial reporting going forward. The fair value of the net assets distributed to the shareholders was USD 120 million, compared to a book value of USD 52 million. A gain from distribution of discontiued operations of USD 68 million will be recognised in Q1 2022.

Aker BP extended work for Deepsea Nordkapp

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

Equinor extended work for Deepsea Stavanger

On 21 March 2022, Equinor exercised further work for the Deepsea Stavanger under the continued optionality mechanism provided for in the contract entered into by the parties in May 2021. The Deepsea Stavanger now has six remaining wells to drill which are expected to occupy the rig into late Q4 2022. Equinor has the opportunity to exercise further wells under the continued optionality mechanism. The day rate is similar to the current contract and a notable performance incentive rate shall apply when wells are delivered safely and ahead of target. Integrated services are provided through the contract and compensated separately.

Equinor extends platform drilling contracts on Johan Sverdrup and Heidrun

On 16 February 2022, Equinor exercised a 2 year option on the platform drilling contracts for Heidrun and Johan Sverdrup Drilling Platform. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance on the installations. The contract period is now firm until Q4 2024. This option is the first of three options of two years each.

Management services for West Linus

On 21 February 2022, Odfjell Drilling agreed with SFL to provide management services for the harsh environment jack-up drilling rig West Linus. The agreement is based on terms and conditions customary for this type of agreements. The rig is employed on a long-term drilling contract with ConocoPhillips Scandinavia AS in the North Sea until the fourth quarter of 2028. Odfjell Drilling will take over as manager of the rig as soon as regulatory approvals such as change of duty holder under the Acknowledgement of Compliance is approved by Norwegian authorities. Odfjell Drilling expects this to be in place no later than 1 October 2022.

The situation in Ukraine

The Group does not expect to be materially affected as it has no direct businesses in Ukraine, Russia or Belarus. Any potential spill-over effects are not expected to be adverse.

There have been no other events after the balance date with material effect for the financial statements ended 31 December 2021.

Note 33 Subsidiaries

Material subsidiaries

Name of entity	Country of incorporation	Principal place of business	Functiona l currency	Owner-ship 2021	Owner-ship 2020	Principal activities
Odfjell Rig Owning Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Invest Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Rig II Ltd.	Bermuda	United Arab Emirates	USD	-	100	Rig owning - Dissolved in 2021
Odfjell Rig III Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Rig V Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Odfjell Drilling Shetland Ltd.	Scotland	United Arab Emirates / UK	USD	100	100	Rig owning / Drilling operations
Deep Sea Atlantic (UK) Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Deep Sea Stavanger (UK) Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Odfjell Invest AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Invest II AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company AS	Norway	Norway	NOK	100	100	Drilling operations / dormant
Deep Sea Drilling Company I AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Drilling South Africa Ltd.	Scotland	South Africa	USD	100	100	Drilling operations / dormant
Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
Odfjell Drilling Services Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Platform Drilling AS	Norway	Norway	NOK	100	100	Drilling operation and maintenance of fixed installations
Odfjell Drilling Management AS	Norway	Norway	NOK	100	100	
Odfjell Drilling (UK) Ltd.	Scotland	UK	GBP	100	100	
Odfjell Partners Invest Ltd.	Bermuda	United Arab Emirates / UK	USD	100	100	Holding company / Well services equipment owner
Odfjell Well Services II Ltd.	Bermuda	Kurdistan / UK	USD	100	100	Well services
Odfjell Services (Thailand) FLC	Thailand	Thailand	THB	100	100	Well services
Odfjell Well Services Cooperatief U.A.	Netherlands	Europe	EUR	100	100	Well services
Odfjell Well Services SRL	Romania	Europe	RON	100	100	Well services
Odfjell Well Service (UK) Ltd.	Scotland	UK	GBP	100	100	Well services
Odfjell Well Services Norway AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services Ltd.	British Virgin Islands	United Arab Emirates / UK	USD	100	100	Well services
Odfjell Drilling Technology AS	Norway	Norway	NOK	100	100	Engineering
Odfjell Oceanwind AS *	Norway	Norway	NOK	15	28	Offshore wind turbines
Odfjell Global Business Services AS	Norway	Norway	NOK	100	100	Group Business Services
Odfjell Drilling Philippines Corporation	Philippines	Philippines	PHP	100	100	Group Business Services
Odfjell Offshore Ltd.	Bermuda	Norway	USD	100	100	Holding company
Odfjell Technology Ltd.	Bermuda	UK	USD	100	n/a	Holding company - No activity

** Due to capital contributions from other investors in end April 2021, the Group's financial interest was reduced, and the investment is from May 2021 accounted for using the equity method.*

The group's principal subsidiaries are set out in table above. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Other subsidiaries included in the consolidated group financial statements:

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership 2021	Ownership 2020	Principal activities
Deep Sea Drilling Company II KS	Norway	Norway	NOK	100	100	No activity
Odfjell Arabia Drilling Services LLC	Saudi Arabia	Saudi Arabia	SAR	100	100	No activity
Odfjell Rig World Services Ltd.	Ghana	Africa	USD	-	49	No activity
Odfjell Energy Crewing AS	Norway	Norway	NOK	100	-	No activity
Odfjell Drilling Cooperatief UA	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Invest Holland BV	Netherlands	Netherlands	EUR	100	100	No activity
Odfjell Perfuracoes e Servicos Ltda	Brazil	Brazil	BRL	100	100	No activity
Odfjell Well Services Ltda	Brazil	Brazil	BRL	100	100	No activity
Odfjell Drilling Netherlands BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil Ltda.	Brazil	Brazil	BRL	100	100	No activity
Odfjell Gestao de Perfurancoes do Brasil Ltda.	Brazil	Brazil	BRL	100	-	No activity

Note 34 Investments in joint ventures and associates

Accounting policy

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Joint ventures

Company	Acquisition/ formation date	Registered office	Principal place of business	Voting and owning interest 31.12.2021	Voting and owning interest 31.12.2020
Odfjell Oceanwind AS	2020	Oslo, Norway	Bergen, Norway	15.2%	28.1%*

** Fully consolidated in the Group Financial Statements from 30 September 2020 until end April 2021*

	2021
Book value as at 1.1.	-
Investments *	841
Share of profit after tax	(540)
Translation differences	(46)
Disposals **	230
Book value as at 31.12	**486**

** Due to capital contributions from other investors in end April 2021, the Group's financial interest was reduced from about 28 % to about 18%, and is accounted for using the equity method from May 2021.*

*** Due to capital contributions from other investors in 2021, the Group's financial interest has been reduced to about 15% as at 31 December 2021.*

Odfjell Oceanwind AS does not have observable market values in form of market price or similar.

Description of the business in Odfjell Oceanwind AS

Odfjell Oceanwind develops, owns and will operate a fleet of floating Mobile Offshore Wind Units (MOWUs) with the primary purpose of supplying electricity to "off-grid" or "micro-grid" consumers.

The table below shows the condensed financial information of Odfjell Oceanwind AS, based on 100%, recalculated to USD.

	2021
Total revenue	528
Total operating expenses	(4,434)
Net financial items	(17)
Net profit/(loss)	(3,922)
Current assets	643
-whereof cash and cash equivalents	326
Current liabilities	493
-whereof current financial liabilities	-
Non-current liabilities	-
Equity	150

	2021
The company's share of equity	18
Goodwill	468
Book value as at 31.12	**486**

Note 35 Related parties - transactions, receivables, liabilities and commitments

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

Susanne Munch Thore (Resigned Director) controls 3,000 (0.00%) of the common shares in the company as per 31 December 2021.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 December 2021.

Simen Lieungh (CEO in Odfjell Drilling AS during 2021, and Director from 29 March 2022) controls 104,590 (0.04%) of the common shares in the company as per 31 December 2021.

See Note 37 - Share-based payments for information about the long term incentive share option programme with Simen Lieungh, CEO in Odfjell Drilling AS during 2021.

The Group have lease agreements with the related party Odfjell Land AS (previously called Kokstad Holding AS), a company related to the main shareholder. Reported lease liability to Odfjell Land AS as at 31 December 2021 is USD 39 million (USD 37 million as at 31 December 2020), while payments in 2021 amounts to USD 6.0 million (USD 5.6 million in 2020).

The Group have revenue from sales of personnel services to related party Odfjell Oceanwind AS, (refer to note 34 - Joint venture), of USD 1.4 million in 2021. Further, the Group have property rental income of USD 0.8 million in 2021 (USD 0.8 million in 2020) to Kokstadflaten Utleie AS, a company related to the main shareholder.

Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown in Note 36 - Remuneration to the Board of Directors, key executive management and Group auditor.

Note 36 Remuneration to the Board of Directors, key executive management and auditor

Details of salary, variable pay and other benefits provided to Group management in 2021:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	640	1,686	15	52	**2,393**
Atle Sæbø	CFO to 1 September 2021- Odfjell Drilling AS	227	174	23	17	**442**
Jone Torstensen	CFO from 1 September 2021- Odfjell Drilling AS	87	-	5	15	**106**
Diane Stephen	General Manager - Odfjell Drilling Ltd.	199	37	11	12	**259**
Total		**1,153**	**1,897**	**54**	**96**	**3,200**

Details of salary, variable pay and other benefits provided to Group management in 2020:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	586	477	13	48	1,125
Atle Sæbø	CFO - Odfjell Drilling AS	293	207	21	24	545
Bjarte Mossefinn	General Manager - Odfjell Drilling Ltd.	270	90	-	8	368
Total		**1,149**	**774**	**34**	**81**	**2,038**

For details regarding incentive share option programme with the CEO of Odfjell Drilling AS, refer to Note 37 - Share-based payments

Fees to Board of non executive directors:

USD thousands	2021	2020
Helene Odfjell	87	74
Susanne Munch Thore	55	53
Alasdair Shiach	49	40
Thomas Marsoner	44	37
Total remuneration to Board of non-executive directors	**236**	**204**

Fees to the Group's auditor

USD thousands	2021	2020
Audit (incl. technical assistance with financial statements)	431	570
Other assurance services	17	3
Tax advisory fee (incl. technical assistance with tax returns)	-	-
Fees for other services	138	24
Total remuneration to the Group's auditor	**586**	**597**

At a general meeting 21 September 2021, KPMG was appointed as auditors of the Company, replacing PwC.

In addition to fees to the Group's auditor listed in the table above, audit fees paid to other auditors for statutory audits of subsidiaries amount to USD 45 thousands in 2021 (USD 48 thousands in 2020). All listed fees are net of VAT

Note 37 Share-based payments

Accounting principle

The company have a long term equity settled incentive share option programme with Simen Lieungh, in which the employee receives remuneration in the form of share-based payment for services rendered.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details below.

That cost is recognised in personnel expenses together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Details regarding share option programme:

The company entered at 16 May 2018 into a long term incentive share option programme with Simen Lieungh, granting him options to purchase 960,000 common shares. On 19 November 2018 the subscription price in the programme was amended to NOK 26.65 per share. The options can only be exercised in three tranches of 320,000 options each, with vesting periods of two, three and four years. The options may be exercised during the subsequent year. Any options not exercised in the first two tranches can be rolled forward to the next tranches. Any options not exercised within 16 May 2023 will be terminated.

Overview of outstanding options:

Overview of outstanding options:	2021	2020
Outstanding options 1.1	960,000	960,000
Options granted	-	-
Options forfeited	-	-
Options exercised	-	-
Options expired	-	-
Outstanding options 31.12	**960,000**	**960,000**
Of which exercisable	640,000	320,000

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted (including amendment) in 2018 is NOK 17.61. The total cost of the share option plan and the amendment to the share option plan is calculated based on the fair value x options granted. The total cost equals approximately USD 2 million and is recognised over the period until May 2022.

The calculations are based on the following assumptions:

- The share price on the grant dates were set to the stock exchange price on the grant dates (16 May 2018 and 19 November 2018).
- The strike price per option was NOK 36 for the 16 May 2018 grant and NOK 26.65 for the 19 November amendment.
- The expected price volatility of the company's shares was set to 40% based on historical volatility adjusted for expected changes.
- The expiry date was set to 16 May 2023.
- The expected dividend yield was set to 0%.
- The risk-free interest rate was set to 1.899% for the 16 May 2018 grant and 1.911% for the 19 November 2018 adjustment.

Note 38 Earnings per share

Accounting policy

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 is calculated as the difference between average fair value in an active market and exercise price or the sum of the not recognised cost portion of the options.

Further description

The Company has issued warrants for 5,925,000 common shares, see further description in Note 25 - Market risk, and has in addition a share option plan for 960,000 common shares, see further description in Note 35 - Share-based payments. 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 level set in the warrant agreement.

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

USD thousands	2021	2020
Profit/(loss) due to owners of the parent	74,383	143,304
Adjustment for dividends on preference shares	(8,629)	(8,213)
Profit/(loss) for the period due to holders of common shares	**65,754**	**135,091**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**65,754**	**135,091**

	2021	2020
Weighted average number of common shares in issue	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**

	2021	2020
BASIC EARNINGS PER SHARE	**0.278**	**0.571**
Diluted earnings per share	0.278	0.571

Parent Company Financial Statements

Income Statement

for the year ended 31 December

USD thousands	Note	2021	2020
OPERATING REVENUES	3	83	71
Personnel expenses	4	(1,340)	(1,361)
Other operating expenses	5	(1,330)	(904)
TOTAL OPERATING EXPENSES		(2,670)	(2,265)
Operating profit / (loss) - EBIT		**(2,587)**	**(2,194)**
Interest income	3,6	9,781	13,538
Dividends from subsidiaries	3	-	7,565
Interest expenses	3,6	(12,272)	(15,649)
Reversal of impairment of investments in subsidiaries	7	-	3,300
Other financial items	6	7,324	7,228
Net financial items		**4,834**	**15,983**
Profit / (loss) before tax		**2,247**	**13,789**
Income tax (expense) / income	14	-	-
Profit / (loss) for the period		**2,247**	**13,789**
Of which attributable to common shareholders		(6,382)	5,576
Of which attributable to preference shareholders		8,629	8,213
EARNINGS PER SHARE (USD)			
Basic earnings per share	15	(0.03)	0.02
Diluted earnings per share	15	(0.03)	0.02

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2021	2020
Profit / (loss) for the period		2,247	13,789
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:		-	-
Items that are or may be reclassified to profit or loss:		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-
Total comprehensive income for the period		**2,247**	**13,789**
Total comprehensive income for the period is attributable to:			
Common shareholders		(6,382)	5,576
Preference shareholders		8,629	8,213

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

USD thousands	Note	31.12.2021	31.12.2020
ASSETS			
Investments in subsidiaries	7	1,109,471	1,109,471
Non-current receivables subsidiaries	3	220,410	273,158
Total non-current assets		**1,329,880**	**1,382,629**
Other current assets		1	12
Cash and cash equivalents	9	826	2,350
Total current assets		**827**	**2,362**
TOTAL ASSETS		1,330,708	1,384,991
EQUITY AND LIABILITIES			
Share capital	11	2,529	2,529
Other contributed capital		562,430	562,430
Other reserves		1,873	1,345
Retained earnings		477,875	479,942
Total equity		**1,044,707**	**1,046,246**

USD thousands	Note	31.12.2021	31.12.2020
Non-current liabilities subsidiaries	3	273,217	332,540
Warrant liabilities	10	950	5,250
Total non-current liabilities		**274,167**	**337,790**
Other current liabilities		386	207
Current interest-bearing liabilities subsidiaries	3	11,338	-
Other current liabilities subsidiaries	3	35	628
Trade payables		74	119
Total current liabilities		**11,834**	**955**
TOTAL LIABILITIES		286,001	338,745
TOTAL EQUITY AND LIABILITIES		1,330,708	1,384,991

The accompanying notes are an integral part of these financial statements.

The Board of Odfjell Drilling Ltd.
25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Thomas Marsoner	Diane Stephen
Chair	Director	Director	Director	General Manager

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity	Equity attributable to common shares	Equity attributable to preference shares	Total equity
Balance at 1 January 2020		2,529	562,430	816	470,260	**1,036,034**	954,917	81,118	**1,036,034**
Profit/(loss) for the period		-	-	-	13,789	**13,789**	5,576	8,213	**13,789**
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**13,789**	**13,789**	**5,576**	**8,213**	**13,789**
Cash dividend to preference shareholders		-	-	-	(4,107)	**(4,107)**	-	(4,107)	**(4,107)**
Cost of share-based option plan	4	-	-	529		**529**	529	-	**529**
Transactions with owners		**-**	**-**	**529**	**(4,107)**	**(3,577)**	**529**	**(4,107)**	**(3,577)**
BALANCE AT 31 DECEMBER 2020		**2,529**	**562,430**	**1,345**	**479,942**	**1,046,246**	**961,022**	**85,224**	**1,046,246**
Profit/(loss) for the period		-	-	-	2,247	**2,247**	(6,382)	8,629	**2,247**
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**2,247**	**2,247**	**(6,382)**	**8,629**	**2,247**
Cash dividend to preference shareholders		-	-	-	(4,314)	**(4,314)**	-	(4,314)	**(4,314)**
Cost of share-based option plan	4	-	-	528		**528**	528	-	**528**
Transactions with owners		**-**	**-**	**528**	**(4,314)**	**(3,787)**	**528**	**(4,314)**	**(3,787)**
BALANCE AT 31 DECEMBER 2021		**2,529**	**562,430**	**1,873**	**477,875**	**1,044,707**	**955,168**	**89,539**	**1,044,707**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

for the year ended 31 December

USD thousands	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		2,247	13,789
Adjustments for:			
Cost of Share-option plan		528	529
Net interest expense / (income)		2,490	2,110
Change in fair value warrant liabilities	10	(4,300)	(3,861)
Impairment / reversal of impairment of investments in subsidiaries	7	-	(3,300)
Net currency loss / (gain) not related to operating activities		(26)	523
Income from subsidiaries	3	-	(7,565)
Other provisions and adjustments for non-cash items		(727)	(925)
Changes in working capital:			
Trade payables		(45)	22
Other accruals and current receivables / payables		(403)	14
Cash generated from operations		(235)	1,336
Net interest received / (paid)		0	28
Net cash flow from operating activities		(235)	1,364

USD thousands	Note	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Received dividend from subsidiaries		-	7,565
Proceeds from non-current receivables subsidiaries	3	38,000	11,000
Net cash flow from investing activities		38,000	18,565
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on borrowing facilities from subsidiaries	3	(35,000)	(23,298)
Dividends paid to preference shareholders		(4,314)	(4,107)
Net cash from financing activities		**(39,314)**	**(27,405)**
Exchange gains/(losses) on cash and cash equivalents		26	(523)
Net change in cash and cash equivalents		**(1,524)**	**(7,998)**
Cash and cash equivalents at 01.01		2,350	10,348
CASH AND CASH EQUIVALENTS AT 31.12		826	2,350

The accompanying notes are an integral part of these financial statements.

Notes to the Parent Company Financial Statements

All amounts are in USD thousands unless otherwise stated

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Note 1 Accounting policies

The principal activities of the Company is owning its shares in subsidiaries, as well as providing management services.

The financial statements for Odfjell Drilling Ltd., have been prepared and presented in accordance with IFRS as endorsed by EU, and are based on the same accounting policies as the Consolidated Group Financial Statements with the following exceptions:

Investments in subsidiaries

Investments in subsidiaries are based on the cost method. Refer to Note 7 - Investments in subsidiaries

Dividends

Dividends and group contribution from subsidiaries are recognised in profit or loss in the parent company financial statements when the Company's right to receive the dividend is established.

For further information, reference is made to the consolidated group financial statements

Note 2 Critical accounting estimates and judgements

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 Company 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 Company's control. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The most important areas where estimates and judgements are having an impact are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

- Warrant liabilities measured at fair value (Note 10 - Warrant Liabilities)

Going concern

Refer to Consolidated Financial Statements Note 4 - Critical accounting estimates and judgements.

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

Note 3 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2021	2020
Management fee	Odfjell Drilling Services Ltd.	Subsidiary	21	19
Management fee	Odfjell Rig Owning Ltd.	Subsidiary	21	13
Management fee	Odfjell Invest Ltd.	Subsidiary	21	19
Management fee	Odfjell Rig III Ltd.	Subsidiary	21	19
Dividends	Odfjell Global Business Services AS	Subsidiary	-	7,565
Interest income non-current loan	Odfjell Rig Owning Ltd.	Subsidiary	9,781	13,510
Guarantee provision	Odfjell Drilling Services Ltd.	Subsidiary	727	881
Guarantee provision	Odfjell Invest Ltd.	Subsidiary	928	1,440
Guarantee provision	Odfjell Rig II Ltd.	Subsidiary	-	44
Guarantee provision	Odfjell Rig III Ltd.	Subsidiary	535	648
Guarantee provision	Odfjell Rig V Ltd.	Subsidiary	823	894
Total			12,878	25,054

Related parties expenses

Type of transaction	Related party	Relation	2021	2020
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	11,678	15,005
Interest on long term loan	Odfjell Offshore Ltd.	Subsidiary	593	644
Service fee	Odfjell Global Business Services AS	Subsidiary	12	10
Service fee	Odfjell Drilling AS	Subsidiary	116	104
Other services	Odfjell Drilling (UK) Ltd	Subsidiary	145	154
Total			12,544	15,917

Non-current receivables- related parties

Subsidiary	Interest conditions	Maturity date	Receivables 2021	Receivables 2020	Interests 2021
Odfjell Rig Owning Ltd.	3 mnt LIBOR + 3.5% margin	09.05.2024	220,410	273,158	9,781
Total non-current			**220,410**	**273,158**	**9,781**

Movements in non-current receivables subsidiaries are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	273,158	270,604
CASH FLOWS:		
Payments received from subsidiaries	(38,000)	(11,000)
NON-CASH FLOWS:		
Reclassified from current receivables	-	44
Offsetting agreement *	(24,530)	-
Interest accrued	9,781	13,510
Carrying amount as at 31 December	**220,410**	**273,158**

** Offsett agreement between the company and the subsidiaries Odfjell Drilling Service Ltd and Odfjell Rig Owning Ltd*

The company has a loan agreement with subsidiary Odfjell Rig Owning Ltd. The loan agreement was transferred from Odfjell Offshore Ltd to Odfjell Rig Owning Ltd., as part of the contribution 21 December 2015. The loan agreement was extended by an amendment in February 2015 to long-term conditions. In December 2017 a supplemental agreement was made to increase the total commitment by an additional USD 50 million to a total commitment of USD 550 million. At 11 December 2018 there was a resolution to convert USD 235 million of the long term loan as contribution to the surplus capital of the Odfjell Rig Owning Ltd.

At 23 December 2019, the loan agreement was amended, extending the maturity date from 9 May 2020 to 9 May 2024, and changing the interest from a fixed interest rate of 6.95% to an interest rate of 3 months USD LIBOR with a margin of 3.5% per annum.

Refer to Note 7 - Investments in subsidiaries for impairment indicator assessment as at 31 December 2021.

Non-current liabilities- related parties

Loans from subsidiaries:	Interest conditions	Maturity date	Liabilities 2021	Liabilities 2020	Interests 2021
Odfjell Offshore Ltd.	3 mnt LIBOR + 5.16% margin	28.08.2022	11,338	10,745	593
Odfjell Drilling Services Ltd.	3 mnt LIBOR + 3.5% margin	09.11.2023	273,217	321,796	11,678
Total loans from subsidiaries			**284,555**	**332,540**	**12,272**
Classified as current liabilities			*11,338*	*-*	
Classified as non-current liabilities			*273,217*	*332,540*	

Movements in non-current liabilities subsidiaries are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	332,540	341,071
CASH FLOWS:		
Repayment of loan	(35,000)	(23,298)
NON-CASH FLOWS:		
Offsetting agreement *	(24,530)	-
Reclassified to current liabilities /from current receivables	(12,065)	(881)
Interest cost accrued	12,272	15,649
Carrying amount as at 31 December	**273,217**	**332,540**

** Offsett agreement between the company and the subsidiaries Odfjell Drilling Service Ltd and Odfjell Rig Owning Ltd*

The company entered into a loan agreement with Odfjell Offshore Ltd., a subsidiary to the company, in August 2017. The maximum aggregated loan amount is USD 8.5 million plus any interest added to the principal. The loan shall be repaid in full at maturity date at the latest. Interest conditions: 3 month LIBOR + 5.16 % margin. Maturity date 28.08.2022. Carrying amount as at 31.12.2020 is USD 10.7 million.

The loan agreement with Odfjell Drilling Services Ltd., was extended by an amendment in November 2018. The new due date was set to 9 November 2023, and the margin of the loan is 3.5% starting from 9 November 2018. The maximum aggregated loan amount for the borrowing facility with Odfjell Drilling Services Ltd., a subsidiary to the company, is USD 450 million. Interest conditions: 3 month LIBOR + 3.5% margin. Maturity date 09.11.2023. Carrying amount as at 31.12.2020 is USD 321.8 million.

Current receivables and liabilities - related parties

USD thousands	Type	Receivables 2021	Liabilities 2021	Receivables 2020	Liabilities 2020
Odfjell Offshore Ltd.	Loan	-	11,338	-	-
Odfjell Drilling AS	Trade	-	23	-	18
Odfjell Global Business Services AS	Trade	-	-	-	12
Odfjell Drilling (UK) Ltd	Trade	-	12	-	-
Odfjell Drilling (UK) Ltd	VAT	-	-	-	570
Odfjell Well Service (UK) Ltd	VAT	-	-	-	50
Odfjell Drilling Shetland Ltd	VAT	-	-	-	5
Odfjell Partners Invest Ltd.	VAT	-	-	-	3
Total current *		**-**	**11,373**	**-**	**658**

** The current receivables and liabilities have less than one year maturity.*

Note 4 Personnel expenses

USD thousands	2021	2020
WAGE COST		
Salaries	437	498
Payroll tax	80	88
Pension costs	21	6
Employee benefits	35	22
MANAGEMENT COMPENSATION:		
Board of directors fee	239	218
Cost of Share-option plan	528	529
Total personnel expenses	1,340	1,36

The company had three employees at 31 December 2021 and(two at 31 December 2020.)

For details of salary, variable pay and other benefits provided to the General Manager and compensation to the Board of Directors, refer to Note 36 - Remuneration to the Board of Directors, key executive management and Group auditor in the Group Financial Statements.

Refer to Note 37 - Share-based payments in the Group Financial Statements for information about the Cost of Share-option plan.

No loans or guarantees have been given to the members of the board of directors.

Note 5 Operating expenses

USD thousands	Note	2021	2020
FEE TO THE AUDITOR (EXCLUDING VAT):			
Auditors fee		164	150
Other services from auditor		138	-
OTHER OPERATING EXPENSES:			
Service fee	3	127	115
Facility services	3	145	154
Fees legal and financial assistance		690	408
Travel expenses		-	26
Other expenses		65	51
Total operating expenses		1,330	904

Note 6 Financial income and expenses

USD thousands	Note	2021	2020
Interest income from subsidiaries	3	9,781	13,510
Other interest income		0	28
Total interest income		9,781	13,538

USD thousands	Note	2021	2020
Interest expenses borrowings from subsidiaries	3	(12,272)	(15,649)
Other interest expenses		0	-
Total interest expenses		(12,272)	(15,649)

USD thousands	Note	2021	2020
Guarantee commissions	3	3,014	3,908
Change in fair value of the warrant liability	10	4,300	3,861
Net currency gain / (loss)		11	(541)
Total other financial items		7,324	7,228

Note 7 Investments in subsidiaries

Listing of directly owned subsidiaries

Company	Acquisition / formation date	Registered office	Place of business	Shares owned	Voting rights	Functional currency	Share capital in USD	Profit / (loss) 2021	Equity as at 31.12.2021	Book value of investment as at 31.12.2021
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	3,278	163,890	175,450
Odfjell Offshore Ltd.	2011	Hamilton, Bermuda	Bergen, Norway	100%	100%	USD	1,000,000	6,633	134,104	127,405
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	(6,865)	693,297	806,121
Odfjell Global Business Services AS	2017	Bergen, Norway	Bergen, Norway	100%	100%	NOK	30,371	969	8,793	494
Odfjell Technology Ltd.	2021	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	0	10	0
									TOTAL	1,109,471

Accounting policy

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow.

Impairment assessment

Investment in subsidiaries are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment exceed the recoverable amount.

Odfjell Drilling has not identified any impairment indicators for the investments as at 31.12.2021.

Book value of investment in Odfjell Drilling Services Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup.

Book value of investment in Odfjell Rig Owning Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup.

No impairment of assets in the subsidiaries have been identified. No material off balance sheet liabilities have been identified in the subsidiaries, other than contingency listed in Note 30 - Contingencies in the consolidated financial statements and the tax issue described in Note 9 - Income taxes in the consolidated financial statements.

Based on last year's impairment assessment, USD 3.3 million of previously booked impairment of investment in Odfjell Offshore Ltd., was reversed in 2020.

Note 8 Financial assets and liabilities

Financial instruments by category and level

The tables below analyse 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. As the time horizon is due in short term, future cash flows are not discounted.

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made in 2021 related to the warrant agreements, nor to the modelling technique used to calculate fair value. Changes in book value relate to fair value changes.

Fair value for instruments at amortised cost

The fair value of the financial assets and liabilities at amortised cost approximate their carrying amount.

The Company had the following financial instruments at each reporting period:

USD thousands	Note	Level	31.12.2021	31.12.2020
OTHER FINANCIAL ASSETS				
- Non-current receivables subsidiaries	3		220,410	273,158
- Other current assets			1	0
- Cash and cash equivalents	9		826	2,350
Total assets as at 31.12			221,237	275,509

USD thousands	Note	Level	31.12.2021	31.12.2020
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Warrant liabilities - Other non-current liabilities	10	3	950	5,250
OTHER FINANCIAL LIABILITIES				
- Non-current liabilities subsidiaries	3		273,217	332,540
- Other current liabilities			386	207
- Current interest-bearing liabilities subsidiaries	3		11,338	-
- Current liabilities subsidiaries	3		35	628
- Trade payables			74	119
Total liabilities as at 31.12.			286,001	338,745

Note 9 Cash and cash equivalents

USD thousands	31.12.2021	31.12.2020
Current account NOK	66	2
Current account USD	591	1,321
Current account GBP	170	1,027
Total cash and bank deposits	**826**	**2,350**

None of the bank deposits are restricted.

Note 10 Warrant Liabilities

Refer to Note 25 Market risk in the Group Financial Statements.

Note 11 Share capital and shareholders

Refer to Note 27 - Share capital and shareholder information in the Group Financial Statements.

Note 12 Guarantees and securities

Guarantees from the company in relation to subsidiaries' loan agreements

Odfjell Drilling Ltd has furnished an On-Demand Guarantee under the following facility agreements:

- USD 150 million senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 and amended and restated to a USD 150 million facility on 30 June 2021 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders. The liability of Odfjell Drilling Ltd as guarantor hereunder shall be limited to USD 180 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement. The loan was repaid in full 1 March 2022.
- USD 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 253.2 million.
- USD 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

Other securities

Refer to Note 29 - Securities and mortgages in the Consolidated Financial Statements.

Guarantees from the company in relation to subsidiaries' other agreements

Odfjell Drilling Ltd., has issued parent company guarantees regarding Odfjell Drilling Management AS' platform drilling service contracts for Johan Sverdrup with Equinor and Brage with Wintershall, and Odfjell Driling (UK) Ltd's platform drilling service contracts for Mariner with Equinor UK.

The company has also issued parent company guarantees regarding subsidiaries' platform drilling service and drilling equipment contracts with ConocoPhillips Skandinavia AS.

Odfjell Drilling Ltd., has issued parent company guarantee related to Odfjell Drilling AS' property rental contract with Odfjell Land AS Group, as well as a payment guarantee regarding Deep Sea Drilling Company AS' hedging agreements with DNB Bank ASA limited to USD 10 million.

Parent company guarantees in relation to the subsidiaries' loan agreements:

USD thousands	31.12.2021	31.12.2020
Loan agreement in Odfjell Drilling Services Ltd.	180,898	241,303
Loan agreement in Odfjell Invest Ltd., senior facility	440,052	490,065
Loan agreement in Odfjell Invest Ltd., junior facility	130,000	130,000
Loan agreement in Odfjell Rig III Ltd.	253,200	344,393
Loan agreement in Odfjell Rig V Ltd.	347,227	381,755
Total guarantee liabilities	1,351,376	1,587,516

Book value of assets pledged as security

USD thousands	31.12.2021	31.12.2020
Shares in Odfjell Offshore Ltd.	127,405	127,405
Shares in Odfjell Rig Owning Ltd.	806,121	806,121
Shares in Odfjell Drilling Services Ltd.	175,450	175,450
Shares in Odfjell Global Business Services AS	494	494
Intra-group receivables (Odfjell Drilling group)	220,410	273,158
Bank deposits	826	2,350
Total book value of assets pledged as security	1,330,707	1,384,979

Note 13 Financial Risk Management

Refer to Note 23 - Financial risk management in the Group Financial Statements.

Liquidity risk

The liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries.

The amounts disclosed in the table are the contractual non-discounted cash flows. The table include estimated interest payments for drawn facilities at the balance sheet date, based on the remaining period at the end of the reporting period to the contractual maturity date.

Maturity of financial liabilities - 31.12.2021

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities subsidiaries	6,557	6,557	13,114	297,260	-	323,489	273,217
Current interest-bearing liabilities subsidiaries	366	366	732	11,827	-	13,291	11,338
Other current liabilities	386	-	-	-	-	386	386
Other current liabilities subsidiaries	35	-	-	-	-	35	35
Trade payables	74	-	-	-	-	74	74

In addition to the financial liabilities listed in table above, the company has issued guarantees in relation got subsidiaries' loans agreements. See further information in Note 12.

Maturity of financial liabilities - 31.12.2020

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities subsidiaries	6,407	6,407	12,815	355,350	-	380,980	332,540
Other current liabilities	207	-	-	-	-	207	207
Current liabilities subsidiaries	628	-	-	-	-	628	628
Trade payables	119	-	-	-	-	119	119

Foreign exchange risk

Foreign exchange risk - Exposure

Refer to Note 9 - Cash and cash equivalents for bank balances in other currencies than USD. The company does not have any other material balances in foreign currencies.

Foreign exchange risk - Sensitivity

The company is to a limited extent exposed to changes in USD/GBP exchange rates. If USD is strengthened by 10% against GBP, the reduction Cash and cash equivalents of USD 0.01 million will reduce net profit before taxes. If USD is weakened by 10% against GBP, the increase Cash and cash equivalents of USD 0.01 million will increase net profit before taxes.

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 3 - Related parties - transactions, receivables and liabilities.

Both receivables and liabilities are variable rate borrowings based on LIBOR. Should LIBOR increase by 1%, interest income would increase by USD 2.2 million, while interest expenses would increase by USD 2.8 million, resulting in a net decrease of profit before taxes of USD 0.6 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 3 - Related parties - transactions, receivables and liabilities. Furthermore, the Company has issued financial guarantees to subsidiaries as listed in Note 12 - Guarantees and Securities.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables and financial guarantee contracts mentioned above has not increased significantly since initial recognition, and the company therefore measures the loss allowance to an amount equal to 12-months expected credit losses.

Due to the low estimated probability of default in the next 12-month period no loss provision is recognized.

Note 14 Income taxes

Odfjell Drilling Ltd. is registered in Bermuda.

There is no Bermuda income, corporation, or profit tax, withholding tax, capital gains, capital transfer tax, estate duty or inheritance tax payable by the company or its shareholders not ordinarily resident in Bermuda. The company is not subject to Bermuda stamp duty on the issue, transfer or redemption of its shares.

The company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1996 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 2035 be applicable to the company or to any of its operations, or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.

As an exempted company, the company is liable to pay a registration fee in Bermuda at a rate presently amounting to USD 19,605 per annum.

The company is from 11 December 2018 tax resident in the United Kingdom as a consequence of the Special General Meetings resolution 11 December 2018, amending then Bye-laws and subsequently changing the composition of the Board of Directors to a majority of UK residents. The company is as all United Kingdom resident companies residents liable for UK corporate income taxes.

The company did not pay any taxes to the United Kingdom for the fiscal year 2020, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2021.

Income tax reconciliation

USD thousands	2021	2020
Profit / (loss) before tax	2,247	13,789
Tax calculated at domestic tax rate - 19%	(427)	(2,620)
Effect of non-taxable income and expenses	(100)	3,013
Effect of group relief	527	(393)
Total income tax expense	-	-

Note 15 Earnings per share

USD thousands	2021	2020
Profit/(loss) for the period	2,247	13,789
Adjustment for dividends on preference shares	(8,629)	(8,213)
Profit/(loss) for the period due to holders of common shares	**(6,382)**	**5,576**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**(6,382)**	**5,576**

Refer to Note 38 - Earnings per share in the Group Financial Statements for accounting policy and further description

	2021	2020
Weighted average number of common shares in issue	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**

	2021	2020
Basic earnings per share	(0.03)	0.02
Diluted earnings per share	(0.03)	0.02

Note 16 Events after the reporting period

Spin off of Odfjell Technology in 2022

On 31 January 2022 the Company announced that it is contemplating spinning off its Well Services and Energy segments (the "Spin Off") into the subsidiary Odfjell Technology Ltd. ("OTL"), and to list the shares in OTL on the Oslo Stock Exchange (the “Listing”).

Prior to executing the Spin Off, an internal re-organisation was carried out. The Company contributed its shares in Odfjell Global Business Services AS and Odfjell Offshore Ltd. to OTL.

28 March 2022, the shares in OTL was distributed to the shareholders in the Company. The ratio for the distribution was 6:1, i.e. that 6 shares in the Company gave the holder 1 share in OTL rounded downwards to the closest whole share in OTL. The fair value of the distributed shares was USD 120 million, while the book value of the investment was USD 123 million.

Also refer to Note 32 - Events after the reporting period in the Group Financial Statements.

Letter of indemnity

The Company has on 1 March 2022 issued a letter of indemnity to OTL, to hold OTL indemnified in respect of any liability that may incur in relation to the ongoing Odfjell Offshore Ltd tax enquiries. This include financing of any (pre-)payments to the Norwegian Tax Authorities, and funds for any legal proceedings. Refer to note 9 in the Group Financial Statements for further information about the Odfjell Offshore Ltd tax enquiries.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2021 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

The Board of Odfjell Drilling Ltd.

25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Thomas Marsoner	Harald Thorstein	Diane Stephen
Chair	Director	Director	Director	General Manager

Auditors Report

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To the General Meeting of Odfjell Drilling Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Odfjell Drilling Ltd, which comprise:

- The financial statements of the parent company Odfjell Drilling Ltd (the Company), which comprise the statement of financial position as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Odfjell Drilling Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 1 year from the election by the general meeting of the shareholders on 21 September 2021 for the accounting year 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Contingent liability - HMRC National Insurance decision*

Reference is made to Note 4 Critical accounting estimates and judgements, note 30 Contingencies and the Board of Directors report section "Risk Review" paragraph "Liquidity risk"

The Key Audit Matter	*How the matter was addressed in our audit*
A UK subsidiary of the Group is subject to challenge from HM Revenue and Customs (HMRC) relating to its historical employment practices, particularly the application of secondary (employer) National Insurance Contributions (NIC) in respect of workers on the UK Continental Shelf (UKCS). A decision notice was issued by HMRC in 2021, informing of their conclusion that the Group is liable for an amount of approximately $30 million (£23 million). The Group have filed an appeal. Management and directors have determined that no provision should be recognised in respect of this claim as at 31 December 2021 as they believe that it is more likely than not that the final outcome will not result in a liability against the Group. On this basis the Group have disclosed the matter as a contingent liability. Judgement is required to assess whether the matter, at this stage, satisfies the recognition criteria for a provision, or should continue to be disclosed as a contingent liability.	Our audit procedures in this area included: • Inquiries with the regulatory and tax team of the Group and examination of correspondence and documentation in respect of the case to understand the status and position of the case • Engaging a KPMG taxation specialist familiar with the relevant National Insurance legislation to assist us in forming an independent view on the likelihood of an adverse outcome for the Group • Inspecting, together with our specialist, the advice received from external legal counsel and other tax advisors engaged by the Group to understand and challenge the Group's current position • Communicating with the Group's external counsel to assess the status of and any developments in the enquiry being conducted • Evaluating the adequacy of the financial statement disclosures, including an estimate of the potential financial effect of the contingent liability.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 529900M08ZU24JXMPB85-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

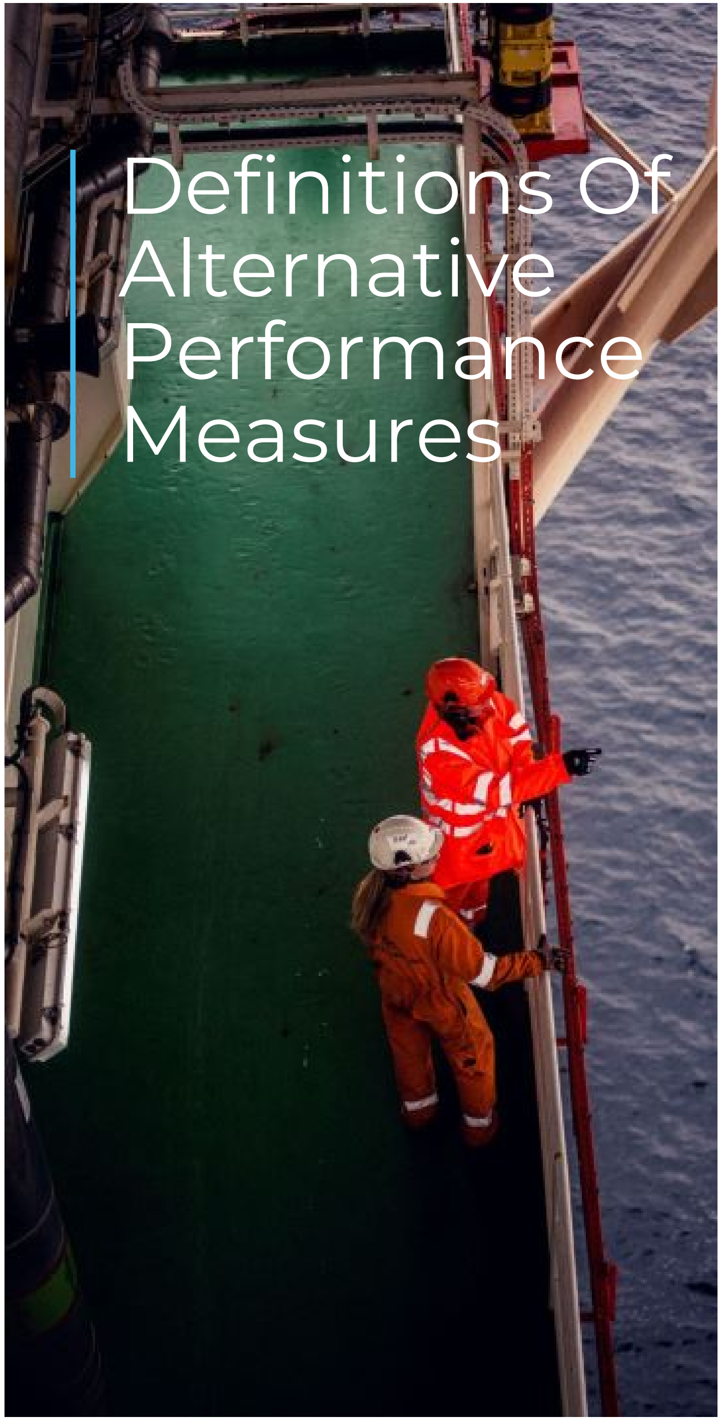
Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 25 April 2022
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Definitions Of Alternative Performance Measures



CONTRACT BACKLOG

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

EBIT

Earnings before interest and taxes. Equal to Operating profit.

EBIT MARGIN

EBIT / Operating revenue

EBITDA

Earnings before depreciation, amortisation and impairment, interest and taxes.

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

EARNINGS PER SHARE

Net profit / number of outstanding shares

LEVERAGE RATIO (ADJ)

		2021	
Non-current interest-bearing borrowings	USD	875	million
Current interest-bearing borrowings	USD	161	million
Non-current lease liabilities	USD	38	million
Current lease liabilities	USD	8	million
Adjustment for real estate lease liabilities	USD	(46)	million
A Adjusted financial indebtedness	USD	1,036	MILLION
Cash and cash equivalents	USD	173	million
Adjustment for restricted cash and other cash not ready available	USD	(26)	million
B Adjusted cash and cash equivalents	USD	147	MILLION
A-B=C Adjusted Net interest-bearing debt	USD	889	MILLION
EBITDA	USD	304	million
Adjustment for effects of real estate leases	USD	(9)	million
D Adjusted EBITDA	USD	295	MILLION
C/D=E Leverage ratio (Adj)		3.0	

For more information visit

www.odfjelldrilling.com

and

www.odfjelltechnology.com

ODFJELL DRILLING

Design & Production: POMELO-PARADIGM