

# Report for the 1<sup>st</sup> quarter of 2022

ODFJELL DRILLING LTD.



ODFJELL DRILLING





# HIGHLIGHTS

Odfjell Drilling: chosen for experience and expertise



**Own fleet 4 rigs**

- ✓ 6th generation high specification, efficient and harsh environment rigs



**External fleet 4 rigs**

- ✓ 6th generation semi-submersible drilling rigs on management contract



**1200 employees**

- ✓ Odfjell Drilling is a people company with 1,200 valued employees. We believe in investing in the competency and development of our people.



**Zero emissions ambition**

- ✓ By 2026, Odfjell Drilling has the ambition of reducing our carbon emissions by 40%, 70% by 2035 and becoming a net zero emission company by the year 2050.

**50 years of drilling industry experience, delivering operational excellence and expertise in some of the most challenging offshore conditions**

## KEY FINANCIALS Q1 2022

**USD 155m**

Revenue

**2.7**

Leverage ratio (adj)

**USD 68m**

EBITDA

**USD 154m**

Cash and cash equivalents

**54%**

Equity ratio

**USD 1.1b**

Backlog



ODFJELL DRILLING

# Key figures for the Group

All figures in USD million	Q1 22	Q1 21*	FY 21*
Operating revenue	155	115	572
EBITDA	68	36	258
EBIT	27	(2)	107
Net profit (loss)	21	(13)	61
EBITDA margin	44%	31%	45%
Total assets	2,287	2,586	2,515
Net interest bearing debt	713	998	863
Equity	1,246	1,189	1,268
Equity ratio	54%	46%	50%

\*Profit or loss figures for continuing operations

- Operating revenue of USD 155 million compared to USD 115 million in Q1 2021.
- EBITDA of USD 68 million compared to USD 36 million in Q1 2021.

- EBITDA margin of 44% compared to an EBITDA margin of 31% in Q1 2021.
- Odfjell Drilling's contract backlog is USD 1.1 billion, whereof USD 0.8 billion is firm backlog. The comparable

figure at the end of Q1 2021 was USD 1.3 billion, whereof USD 1.1 billion was firm backlog.

## Segments

### Own fleet

- Operating revenue of USD 139 million compared to USD 102 million in Q1 2021.
- EBITDA of USD 69 million compared to USD 36 million in Q1 2021.
- EBITDA margin of 50% compared to an EBITDA margin of 35% in Q1 2021.

### External fleet

- Operating revenue of USD 15 million compared to USD 11 million in Q1 2021.
- EBITDA of USD 1 million compared to USD 1 million in Q1 2021.
- EBITDA margin of 9% compared to an EBITDA margin of 8% in Q1 2021.

# Highlights Q1 2022

## Successful spin-off of Odfjell Technology Ltd

In March, Odfjell Drilling successfully spun off and listed Odfjell Technology Ltd as a separate entity. The shares in Odfjell Technology were distributed to the shareholders of Odfjell Drilling and were listed on the Oslo Stock Exchange 29 March 2022.

In combination with the spin-off, the Odfjell Drilling Services USD 150 million debt facility was repaid. Following the

spin-off of Odfjell Technology, Odfjell Drilling is now a pure-play drilling company.

Refer to the financial review and Note 2 Discontinued operations for further information.

## More firm work added to contract backlog

Aker BP has exercised a scope based option for Deepsea Nordkapp covering 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 the current term based contract ending in June 2023 the newly exercised KEG development scope represents approximately 8.5 months of additional backlog for the Deepsea Nordkapp occupying the unit into Q1 2024. The approximate contract value for the exercised optional scope is USD 80 million (excluding any integrated services). In addition, a performance bonus will be applicable. An additional

option period has been agreed which, if exercised shall follow completion of the KEG development wells.

Equinor has 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. Deepsea Stavanger's firm scope is expected to occupy the rig into late Q4 2022. Equinor has the opportunity to exercise further wells under the continued optionality mechanism.

# Events occurring after the reporting period

May 12 2022, Odfjell Drilling agreed with SFL Corporation Ltd ("SFL") to provide marketing and management services for the harsh environment semisubmersible drilling rig West Hercules. The agreement is based on terms and conditions customary for this type of agreements.

The rig is currently employed on a contract with an oil major in Canada until the fourth quarter of 2022, thereafter the rig will return to Norway to complete a five yearly special periodic survey ("SPS"). Odfjell Drilling will take over as manager of the West Hercules as soon as the rig

returns from Canada. In order to secure work for the West Hercules once the SPS is completed, Odfjell Drilling have already started operational preparations and marketing of the rig.

On May 13 2022, Equinor exercised further work for the Deepsea Stavanger under the

continued optionality mechanism. Deepsea Stavanger now has a backlog of firm wells into Q1 2023. Equinor has the opportunity to exercise further wells under the continued optionality mechanism.

# Financial review – operations

## Consolidated group financials

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

In March, Odfjell Drilling successfully listed Odfjell Technology Ltd as a separate entity and the shares in Odfjell Technology was distributed to the shareholders in the Company. The discontinued operations distributed consists mainly of the group's Well Services and Energy segments, as well as the ownership in Odfjell Oceanwind.

The comparative condensed statement of profit or loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations for all periods presented.

### Profit or loss Q1 2022 - Continuing operations

Operating revenue for Q1 2022 was USD 155 million (USD 115 million), an increase of USD 40 million. The increase is mainly due to increased revenue in the Own Fleet segment from Q1 2021 to Q1 2022.

EBITDA in Q1 2022 was USD 68 million (USD 36 million), an increase of USD 32 million. The EBITDA margin in Q1 2022 was 44% (31%).

Depreciation and amortisation cost in Q1 2022 was USD 41 million (USD 37 million), an increase of USD 4 million compared to Q1 2021.

EBIT in Q1 2022 was USD 27 million (negative USD 2 million), an increase of USD 29 million.

Net financial expenses in Q1 2022 amounted to USD 6 million (USD 10 million). The decrease in net expenses of USD 4 million was mainly explained by reduced interest expenses, increase in net currency gain and fair value changes.

In Q1 2022, the income tax expense was USD 1 million (USD 1 million).

Net profit from continuing operations in Q1 2022 was USD 21 million (loss of USD 13 million).

### Profit from discontinued operations

The results of discontinued operations are presented separately from the continuing operations as a single amount of profit that amounted to USD 47 million (USD 1 million).

The profit includes the Q1 results of discontinued operations until distribution, net of tax, which amounted to USD 10 million (USD 1 million).

Furthermore, a gain of USD 37 million was recognised when distributing the discontinued operation. The gain equals the fair value of the discontinued operation less the book value of the net assets distributed, adjusted for the cumulative foreign currency translation reserve in OCI recycled to the income statement.

### Balance sheet

Total assets as at 31 March 2022 amounted to USD 2,287 million (USD 2,515 million as at 31 December 2021), a decrease of USD 228 million, mainly related to discontinued operations.

Total equity as at 31 March 2022 amounted to USD 1,246 million (USD 1,268 million as at 31 December 2021) a decrease of USD 22 million. The equity ratio was 54% as at 31 March 2022 (46% as at 31 December 2021).

Net interest bearing debt as at 31 March 2022 amounted to USD 713 million (USD 863 million as at 31 December 2021), a decrease of USD 150 million, mainly due to the net interest bearing debt within the discontinued operations.

At 31 March 2022, cash and cash equivalents amounted to USD 154 million. There has been a net negative change of USD 19 million since 31 December 2021.

### Cash flow Q1 2022 - Continuing operations

Net cash flow from continuing operating activities in Q1 2022 was positive with USD 63 million (USD 34 million). The Group paid USD 11 million (USD 13 million) in interest.

Net cash outflow from investing activities in Q1 2022 was USD 8 million (USD

28 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities in Q1 2022 was USD 174 million (USD 23 million). In Q1 2022 the Odfjell Drilling Services USD 150 million debt facility was repaid. In addition, the Group paid USD 24 million (USD 23 million) in instalments on credit facilities and leases.

### Cash flow - Discontinued operations

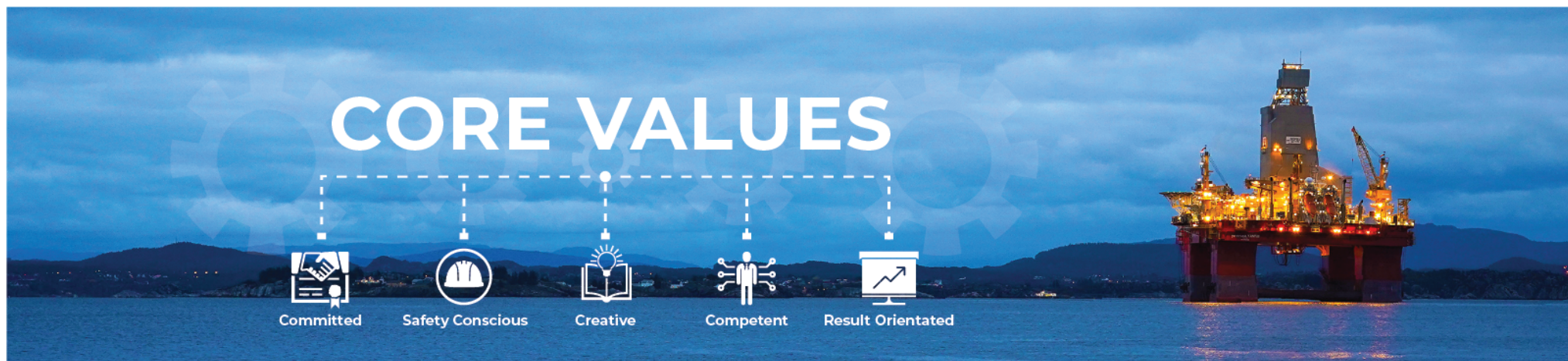
Net cash flow from discontinued operating activities in Q1 2022 was positive with USD 12 million (USD 10 million).

Net cash outflow from investing activities in Q1 2022 was USD 59 million (USD 5 million). The Q1 2022 outflow was mainly related to the USD 50 million net cash

disposed of at distribution of the discontinued operations.

Net cash flow from financing activities in Q1 2022 was USD 146 million (outflow of USD 1 million). Proceeds from bond loan and RCF amounted to USD 147 million in Q1 2022.

Total net cash flow from discontinued operations was USD 99 million (USD 5 million).



## Segments

### Own Fleet

All figures in USD million	Q1 22	Q1 21	FY 21
Operating revenue	139	102	519
EBITDA	69	36	253
EBIT	30	(0)	104
EBITDA margin	50%	35%	49%

(Comparable figures for last comparable period in brackets)

#### Q1 2022

Operating revenue for the Own Fleet segment in Q1 2022 was USD 139 million (USD 102 million), an increase of USD 37 million. The main driver is a positive variance of USD 30 million for Deepsea Stavanger due to the transit and demobilisation period after the campaign

for Total in South Africa during Q1 2021. All revenue related to the campaign was recognized during 2020. In addition, there is a positive variance of USD 7 million for Deepsea Atlantic due to improved operations compared to same quarter last year.

EBITDA for the Own Fleet segment in Q1 2022 was USD 69 million (USD 36 million), an increase of USD 33 million, with a positive variance for Deepsea Stavanger of USD 29 million and Deepsea Atlantic of USD 4 million. The EBITDA margin for the

Own Fleet segment was 50% in Q1 2022 compared to 35% in Q1 2021.

EBIT for the Own Fleet segment in Q1 2022 was USD 30 million (USD 0 million), an increase of USD 30 million.

#### Own Fleet - Financial utilisation

The financial utilisation for Odfjell Drilling's fully owned mobile offshore drilling units was as follows:

	Q1 22	Q1 21	FY 21
Deepsea Stavanger	96.2 %	N/A	99.0 %
Deepsea Atlantic	97.1 %	85.9 %	95.5 %
Deepsea Aberdeen	97.8 %	97.2 %	98.8 %
Deepsea Nordkapp	99.4 %	98.5 %	98.9 %

- Deepsea Stavanger completed the last well for Lundin on 23 January 2022 and commenced its contract with Equinor on the NCS 1 February 2022.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q1 2022.
- Deepsea Aberdeen was on contract with BP and Wintershall on the NCS during Q1 2022.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q1 2022.

## External Fleet

All figures in USD million	Q1 22	Q1 21	FY 21
Operating revenue	15	11	50
EBITDA	1	1	5
EBIT	1	1	5
EBITDA margin	9%	8%	10%

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

### Q1 2022

Operating revenue for the External Fleet segment in Q1 2022 was USD 15 million (USD 11 million), an increase of USD 4 million. The main drivers are the new additions to the fleet, Deepsea Mira and Deepsea Bollsta, which started on

management with Odfjell Drilling on 1 February 2022 and 18 March 2022 respectively. The two new rigs are joining Deepsea Yantai in the External Fleet segment.

EBITDA for the External Fleet segment in Q1 2022 was USD 1 million (USD 1 million), no change from Q1 2021. Deepsea Mira and Deepsea Bollsta are in lay-up and will have a small impact on the EBITDA level until they start operations.

The EBITDA margin for the External Fleet segment was 9% in Q1 2022 compared to 8% in Q1 2021.

EBIT for the External Fleet segment in Q1 2022 was USD 1 million (USD 1 million) at same level as previous year.



# Environmental, social and governance

Odfjell Drilling's ESG strategy is divided into the focus areas: Environmental Impact; People & Safety; and Ethics & Governance. For a full presentation of the strategy, and the material and important topics within each focus area, reference is made to the 2021 Sustainability Report published on <https://www.odfjelldrilling.com/sustainability/>

Please see a status update for Q1 2022 on all focus areas below.

## Environmental Impact:

Our "zero emission drilling" efforts are a continuous work in progress. Switching to

zero emission fuels is a prerequisite for reaching zero. In Q1, Odfjell Drilling started feasibility studies on biofuel. 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. Please see Annual Report 2021, page 13 for a more detailed presentation of status of our "zero emission drilling" projects.

## People & Safety:

The QHSE programme for 2022 launched in Q1, which identifies areas that are important for us to maintain and further develop the quality of our processes, our safety standards and environmental performance. This to ensure we operate safely and within our goals and stakeholders' expectations in 2022. Odfjell Drilling shall conduct business in accordance with international human rights conventions. In Q1, a global employee survey was published to help determine the company's salient human rights, which is part of the human rights

project in Odfjell Drilling. You can read more about this in the 2021 Sustainability Report.

## Ethics & Governance:

Increased number of cyberattacks towards governmental and financial institutions in the wake of the war in Ukraine has increased the general cyber security risk. Awareness campaigns and intranet articles aims to repeat general IT security measures, in addition to increased resilience actions on the drilling rigs.

# Outlook

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

There is currently a strong focus on alternative energy sources and the overall

future mix of energy. The transition into greener energy sources is expected to impact the energy market in the coming decades, however, the need for continued exploration and production of oil and gas is viewed as vital to bridge the increasing energy demand as new energy sources take time to implement.

The general situation for the global offshore industry has gradually improved as a result of increased demand and

adjusted supply. There are still challenges, but we observe that several players in the offshore drilling industry have merged recently and this is likely to result in a less fragmented and more disciplined market. Higher oil prices combined with the European Union's target to obtain a more independent energy supply, is also positive for the markets in which Odfjell Drilling operates.

For the harsh environment market, where Odfjell Drilling has its expertise, the utilisation outlook appears sound and in balance. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our capabilities and focus. The recent rate improvement in the deepwater market increases the overall demand for Odfjell Drilling's fleet. All four of Odfjell Drilling's owned units have deepwater or ultra-deepwater capabilities.

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. Odfjell Drilling has been successful in adding more backlog due to our operational track record and strong client relationships, combined with a healthy balance sheet. The Norwegian

government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which is expected to trigger increased activity over the next few years.

Deepsea Stavanger completed its last well for Lundin on 23 January 2022 and thereafter started operations under the Master Frame Agreement with Equinor on 1 February 2022.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement with firm operations throughout 2022

Deepsea Aberdeen operated with BP and Wintershall on the NCS during Q1 2022. The operations with Wintershall were finalized on 23 April 2022. The operations with Equinor on the Breidablikk contract commenced in early May 2022.

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

## Risks and uncertainties

In the Group's view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients' spending budgets and developments in the financial and fiscal markets. Furthermore, as Odfjell Drilling's

fully owned fleet consists of four units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet. Additionally, any unforeseen consequences of COVID-19 and other future pandemics may impact the financial result.

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 has, in recent years, implemented cost reduction and efficiency improvement programs, and continues its focus on capital discipline in order to maintain its competitiveness.

# Quality, health, safety & environment (QHSE)

Key figures QHSE	Q1 22*	FY 21*
Lost time incident frequency (as per 1 million working hours)	0.5	1.1
Total recordable incident frequency (as per 1 million working hours)	0.7	1.4
Sick leave (percentage)	5.9	4.9
Dropped objects frequency (as per 1 million working hours)	1.9	1.4
Number of employees	1,193	1,135

\* Continuing operations only

Aberdeen, United Kingdom

30 May 2022

Board of Directors of Odfjell Drilling Ltd.

Simen Lieungh, Chair

Helene Odfjell, Director

Harald Thorstein, Director

Thomas Marsoner, Director



# Condensed Consolidated Financial Statements





## Condensed Consolidated Income Statement

USD thousands	Note	Q1 22	Q1 21	FY 21
<b>CONTINUING OPERATIONS</b>				
<b>Operating revenue</b>	<b>3,4</b>	<b>154,817</b>	<b>114,559</b>	<b>572,118</b>
Other gains and losses		-	-	7,251
Personnel expenses		(53,740)	(46,673)	(199,640)
Other operating expenses		(33,086)	(32,341)	(121,287)
<b>EBITDA</b>		<b>67,992</b>	<b>35,545</b>	<b>258,442</b>
Depreciation and amortisation	6,7	(40,658)	(37,321)	(151,374)
<b>Operating profit (EBIT)</b>		<b>27,334</b>	<b>(1,776)</b>	<b>107,068</b>
Net financial items	5	(5,533)	(10,193)	(40,616)
<b>Profit before taxes</b>		<b>21,802</b>	<b>(11,968)</b>	<b>66,451</b>
Income taxes		(1,216)	(695)	(5,508)
<b>Net profit from continuing operations</b>		<b>20,586</b>	<b>(12,663)</b>	<b>60,944</b>
Profit from discontinued operations	2	46,728	1,434	12,909
<b>Profit (loss)</b>		<b>67,314</b>	<b>(11,230)</b>	<b>73,852</b>
<b>Profit (loss) attributable to:</b>				
Non-controlling interests		-	(318)	(73)
Owners of the parent		67,314	(10,912)	73,926
<b>EARNINGS PER SHARE (USD)</b>				
Basic earnings per share	15	0.27	(0.05)	0.28
Diluted earnings per share	15	0.27	(0.05)	0.28
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS (USD)</b>				
Basic earnings per share	15	0.08	(0.06)	0.22
Diluted earnings per share	15	0.08	(0.06)	0.22

## Condensed Consolidated Statement of Comprehensive Income

USD thousands	Q1 22	Q1 21	FY 21
<b>PROFIT (LOSS)</b>	<b>90,617</b>	<b>(11,230)</b>	<b>73,852</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post employment benefit obligations (net of tax)	-	-	(341)
<b>Items that are or may be reclassified to profit or loss:</b>			
Cash flow hedges	6,678	1,753	3,888
Currency translation differences	(3,449)	(389)	(3,831)
Reclassification of foreign currency translation reserve	26,955	-	-
<b>Other comprehensive income, net of tax</b>	<b>30,185</b>	<b>1,364</b>	<b>(283)</b>
<b>Total comprehensive income</b>	<b>97,498</b>	<b>(9,866)</b>	<b>73,569</b>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests	-	(318)	(524)
Owners of the parent	97,498	(9,548)	74,093

## Condensed Consolidated Statement of Financial Position

USD thousands	Note	31.03.2022	31.03.2021	31.12.2021
<b>ASSETS</b>				
Property, plant and equipment	6	1,996,101	2,184,550	2,108,856
Intangible assets	7	3,829	28,852	28,516
Deferred tax asset		-	1,056	1,291
Other non-current assets	10	4,101	5,325	8,174
<b>Total non-current assets</b>		<b>2,004,031</b>	<b>2,219,783</b>	<b>2,146,837</b>
Trade receivables		95,066	135,342	154,547
Contract assets		9,857	9,887	10,221
Other current assets	10	24,554	26,965	30,516
Cash and cash equivalents		153,872	194,289	173,031
<b>Total current assets</b>		<b>283,349</b>	<b>366,484</b>	<b>368,314</b>
<b>TOTAL ASSETS</b>		<b>2,287,380</b>	<b>2,586,267</b>	<b>2,515,151</b>

USD thousands	Note	31.03.2022	31.03.2021	31.12.2021
<b>EQUITY AND LIABILITIES</b>				
Paid-in capital	13	445,152	564,959	564,959
Other equity		800,843	623,491	703,215
<b>Equity attributable to owners of the parent</b>		<b>1,245,995</b>	<b>1,188,450</b>	<b>1,268,174</b>
Non-controlling interests		-	318	-
<b>Total equity</b>		<b>1,245,995</b>	<b>1,188,767</b>	<b>1,268,174</b>
Non-current interest-bearing borrowings	8	726,567	675,998	875,352
Non-current lease liabilities	9	36,405	37,496	38,282
Post-employment benefits		605	6,353	6,006
Deferred tax liability		441	-	-
Non-current contract liabilities		-	4,465	5,589
Other non-current liabilities	10	3,120	12,471	3,967
<b>Total non-current liabilities</b>		<b>767,138</b>	<b>736,783</b>	<b>929,197</b>
Current interest-bearing borrowings	8	140,595	516,736	161,058
Current lease liabilities	9	13,175	5,585	7,796
Contract liabilities		26,290	16,214	21,798
Trade payables		41,477	43,114	43,190
Other current liabilities	10	52,711	79,068	83,938
<b>Total current liabilities</b>		<b>274,246</b>	<b>660,717</b>	<b>317,781</b>
<b>Total liabilities</b>		<b>1,041,385</b>	<b>1,397,499</b>	<b>1,246,978</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,287,380</b>	<b>2,586,267</b>	<b>2,515,151</b>

## Condensed Consolidated Statement of Changes in Equity

USD thousands	Note	Paid-in capital	Other equity	Attributable to owners of the parent	Attributable to common shares	Attributable to preference shares	Non-controlling interests	Total equity
<b>BALANCE AT 1 JANUARY 2021</b>		<b>564,959</b>	<b>632,909</b>	<b>1,197,868</b>	<b>1,112,644</b>	<b>85,224</b>	<b>636</b>	<b>1,198,503</b>
Profit/(loss) for the period		-	(10,912)	(10,912)	(13,007)	2,096	(318)	(11,230)
Other comprehensive income for the period		-	1,364	1,364	1,364	-	(0)	1,364
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(9,548)</b>	<b>(9,548)</b>	<b>(11,644)</b>	<b>2,096</b>	<b>(318)</b>	<b>(9,866)</b>
Cost of share-based option plan		-	130	130	130	-	-	130
<b>Transactions with owners</b>		<b>-</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>130</b>
<b>BALANCE AT 31 MARCH 2021</b>		<b>564,959</b>	<b>623,491</b>	<b>1,188,450</b>	<b>1,101,130</b>	<b>87,320</b>	<b>318</b>	<b>1,188,767</b>
Total comprehensive income for the period Q2-Q4		-	83,641	83,641	77,108	6,533	(206)	83,435
Transactions with owners for the period Q2-Q4		-	(3,917)	(3,917)	398	(4,314)	(112)	(4,029)
<b>BALANCE AT 31 DECEMBER 2021</b>		<b>564,959</b>	<b>703,215</b>	<b>1,268,174</b>	<b>1,178,635</b>	<b>89,539</b>	<b>-</b>	<b>1,268,174</b>
Profit/(loss) for the period		-	67,314	67,314	65,106	2,208	-	67,314
Other comprehensive income for the period		-	30,185	30,185	30,185	-	-	30,185
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>97,498</b>	<b>97,498</b>	<b>95,290</b>	<b>2,208</b>	<b>-</b>	<b>97,498</b>
Distribution of shares in Odfjell Technology Ltd. to common shareholders	2	(119,807)	-	(119,807)	(119,807)	-	-	(119,807)
Cost of share-based option plan		-	130	130	130	-	-	130
<b>Transactions with owners</b>		<b>(119,807)</b>	<b>130</b>	<b>(119,676)</b>	<b>(119,676)</b>	<b>-</b>	<b>-</b>	<b>(119,676)</b>
<b>BALANCE AT 31 MARCH 2022</b>		<b>445,152</b>	<b>800,843</b>	<b>1,245,995</b>	<b>1,154,249</b>	<b>91,746</b>	<b>-</b>	<b>1,245,995</b>

## Condensed Consolidated Statement of Cash Flows

USD thousands	Note	Q1 22	Q1 21	FY 21
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Profit/(loss) before tax from continuing operations		21,802	(11,968)	66,451
Profit before tax from discontinued operations	2	10,266	1,432	11,240
Adjustment for interest, provisions and non-cash elements		64,396	56,386	230,172
Changes in working capital		(8,945)	11,823	194
<b>Cash generated from operations</b>		<b>87,519</b>	<b>57,673</b>	<b>308,056</b>
Net interest paid		(11,254)	(12,936)	(49,869)
Net income tax paid		(868)	(620)	(1,686)
<b>Net cash flow from operating activities</b>		<b>75,397</b>	<b>44,117</b>	<b>256,501</b>
-of which from continuing operations		63,158	34,166	216,292
-of which from discontinued operations		12,239	9,951	40,209
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	6,7	(16,674)	(33,145)	(97,833)
Proceeds from sale of property, plant and equipment		837	331	974
Other non-current receivables		(113)	195	(49)
Disposal of discontinued operations, net cash disposed of	2	(49,670)	-	-
Cash flows from losing control of subsidiaries		-	-	(487)
Cash payments to acquire interests in joint-ventures		(1,847)	-	-
<b>Net cash flow from investing activities</b>		<b>(67,466)</b>	<b>(32,619)</b>	<b>(97,395)</b>
-of which from continuing operations		(8,454)	(28,078)	(70,993)
-of which from discontinued operations		(59,012)	(4,540)	(26,403)

USD thousands	Note	Q1 22	Q1 21	FY 21
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from borrowings	8	146,505	-	(2,133)
Repayment of borrowings	8	(171,053)	(21,053)	(176,211)
Repayment of lease liabilities	9	(3,228)	(2,569)	(6,126)
Dividends paid to preference shareholders		-	-	(4,314)
<b>Net cash flow from financing activities</b>		<b>(27,776)</b>	<b>(23,622)</b>	<b>(188,784)</b>
-of which from continuing operations		(173,656)	(23,068)	(186,318)
-of which from discontinued operations		145,880	(553)	(2,466)
Effects of exchange rate changes on cash and cash equivalents		686	(483)	(4,186)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(19,159)</b>	<b>(12,606)</b>	<b>(33,864)</b>
Cash and cash equivalents at beginning of period		173,031	206,895	206,895
<b>Cash and cash equivalents at period end</b>		<b>153,872</b>	<b>194,289</b>	<b>173,031</b>



## | Note 1 Accounting Principles

### General information

Odfjell Drilling Ltd. ('the Company') and its subsidiaries (together 'the Group') own and operate mobile offshore drilling units.

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

These condensed interim financial statements were approved by the Board of Directors on 30 May 2022 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the three months period ended 31 March 2022 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial

report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021.

### Going concern

In the Group's view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients' spending budgets and developments in the financial and fiscal markets.

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.

Taking all relevant risk factors and available options for financing into consideration, the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. Hence, the Group has adopted the going concern basis in preparing its consolidated financial statements.

### Accounting principles

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

### Use of estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are

believed to be reasonable under the circumstances.

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

There will always be uncertainty related to judgement and assumptions related to accounting estimates.

## | Note 2 Discontinued operations

### Spin off of Odfjell Technology in 2022

On 31 January 2022 Odfjell Drilling Ltd announced that it is 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 to list the shares in OTL on the Oslo Stock Exchange (the "Listing").

The Spin Off consists of the group's 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.

In connection with the Spin Off, Odfjell Technology on 4 February 2022 successfully priced NOK 1.1 bn in senior secured bonds through a private placement. The net proceeds from the bond issue, together with a new USD 25 million super senior revolving credit facility ("RCF") 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.

In end of March 2022, the shares in Odfjell Technology 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 shares in OTL were listed on the Oslo Stock Exchange 29 March 2022. There was no public offering of shares in Odfjell Technology in connection with the Listing.

The Spin Off was not previously classified as held for distribution or as a discontinued operation. The comparative condensed statement of profit or loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

Subsequent of the disposal, Odfjell Drilling has continued to purchase services from the discontinued operations. Although intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing and discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent of the disposal, because management believes this is useful to the users of the financial statements.

The fair value of the net assets distributed to the shareholders was USD 119.8 million, compared to a book value of USD 56.4 million. A gain from distribution of discontinued operations of USD 63 million was recognised in Q1 2022.

The cumulative exchange differences related to a foreign operation that have been included in the foreign currency translation reserve are reclassified to profit or loss when the foreign operation is distributed. A total exchange loss of USD 27 million have been reclassified from OCI to the income statement on distribution of the foreign operations in the Odfjell Technology group.

**Results of discontinued operations**

<i>USD thousands</i>	Q1 22	Q1 21	FY 2021
Operating revenue	94,448	78,492	342,899
Elimination of inter-segment revenue	(17,434)	(11,177)	(51,163)
<b>External revenue</b>	<b>77,014</b>	<b>67,314</b>	<b>291,736</b>
Other gains / (losses)	566	224	741
Personnel expenses	(60,519)	(51,754)	(220,640)
Other operating expenses	(21,188)	(17,360)	(77,901)
Elimination of expenses related to inter-segment sales	17,434	11,177	51,163
<b>EBITDA</b>	<b>13,308</b>	<b>9,601</b>	<b>45,098</b>
Depreciation and amortisation	(2,374)	(7,581)	(30,566)
<b>Operating profit (EBIT)</b>	<b>10,934</b>	<b>2,020</b>	<b>14,532</b>
Share of profit (loss) from joint ventures and associates	(422)	-	(539)
Net financial items	(154)	(443)	(1,998)
Elimination of inter-segment financial income	(92)	(145)	(756)
<b>Profit (loss) before tax</b>	<b>10,266</b>	<b>1,432</b>	<b>11,240</b>
Income tax	2	1	1,669
<b>Results of discontinued operations, net of tax</b>	<b>10,268</b>	<b>1,434</b>	<b>12,909</b>
Reclassification of foreign currency translation reserve	(26,955)	-	-
Gain related to distribution of discontinued operations	63,415	-	-
<b>Profit (loss) from discontinued operations, net of tax</b>	<b>46,728</b>	<b>1,434</b>	<b>12,909</b>
Basic earnings per share - discontinued operations	0.20	0.01	0.06
Diluted earnings per share - discontinued operations	0.20	0.01	0.06

**Cashflow from (used in) discontinued operations**

<i>USD thousands</i>	Q1 22	Q1 21	FY 2021
Net cash generated from operating activities	12,239	9,951	40,209
Net cash used in investing activities	(59,012)	(4,540)	(26,403)
Net cash generated from / (used in) financing activities	145,880	(553)	(2,466)
<b>Net cash flows</b>	<b>99,107</b>	<b>4,857</b>	<b>11,341</b>

**Effect of disposal of the financial position of the Group**

<i>USD thousands</i>	Q1 22
Property, plant and equipment	(106,024)
Intangible assets	(26,660)
Deferred tax asset	(1,779)
Financial non-current assets	(4,687)
Trade and other receivables	(102,808)
Other current assets	(9,770)
Cash and cash equivalents	(49,670)
Non-current interest-bearing borrowings	125,329
Non-current lease liabilities	9,374
Post-employment benefits	5,367
Non-current contract liabilities	5,945
Current interest-bearing borrowings	25,550
Current lease liabilities	2,599
Contract liabilities	209
Trade and other current payables	35,456
Other current liabilities	35,177
<b>NET ASSETS AND LIABILITIES</b>	<b>(56,391)</b>
Cash and cash equivalents disposed of	(49,670)
<b>Net cash outflows</b>	<b>(49,670)</b>

## Note 3 Segment summary

The Board is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

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

industry. The group owned four drilling units during 2021 and 2022 with similar services, revenues, customers and production processes. Own drilling units (Own Fleet) is therefore assessed as one operating segment. The same applies for rig management services to other owners of other drilling units (External Fleet).

### Own Fleet

The segment operates drilling units owned by Odfjell Drilling.

### External Fleet

The segment 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.

USD thousands	Own Fleet			External Fleet			Corporate / other			Consolidated		
	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21
External segment revenue	139,196	102,373	519,444	15,069	11,135	49,954	552	1,051	2,720	154,817	114,559	572,118
Inter segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>139,196</b>	<b>102,373</b>	<b>519,444</b>	<b>15,069</b>	<b>11,135</b>	<b>49,954</b>	<b>552</b>	<b>1,051</b>	<b>2,720</b>	<b>154,817</b>	<b>114,559</b>	<b>572,118</b>
<b>EBITDA</b>	<b>69,332</b>	<b>35,598</b>	<b>253,408</b>	<b>1,374</b>	<b>909</b>	<b>5,172</b>	<b>(2,714)</b>	<b>(961)</b>	<b>(138)</b>	<b>67,992</b>	<b>35,545</b>	<b>258,442</b>
Depreciation and amortisation	(39,331)	(36,068)	(149,019)	-	-	-	(1,327)	(1,253)	(2,356)	(40,658)	(37,321)	(151,374)
<b>EBIT</b>	<b>30,001</b>	<b>(470)</b>	<b>104,389</b>	<b>1,374</b>	<b>909</b>	<b>5,172</b>	<b>(4,041)</b>	<b>(2,215)</b>	<b>(2,493)</b>	<b>27,334</b>	<b>(1,776)</b>	<b>107,068</b>
Net financial items										(5,533)	(10,193)	(40,616)
<b>Profit / (loss) before tax - Consolidated Odfjell Drilling Group</b>										<b>21,802</b>	<b>(11,968)</b>	<b>66,451</b>



## Note 4 Revenue

USD thousands	Q1 22	Q1 21	FY 21
Revenue from contracts with customers	109,544	87,242	390,674
Lease component in Own Fleet contracts	45,068	27,130	180,614
Other operating revenue	205	188	830
<b>Operating revenue - Continuing operations</b>	<b>154,817</b>	<b>114,559</b>	<b>572,118</b>

### Disaggregation of revenue - Primary geographical markets

USD thousands	Own Fleet			External Fleet			Corporate / Other			Consolidated		
	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21	Q1 22	Q1 21	FY 21
Norway	139,196	102,373	519,444	15,069	11,135	49,954	552	1,051	2,720	154,817	114,559	572,118
Other geographical markets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating revenue</b>	<b>139,196</b>	<b>102,373</b>	<b>519,444</b>	<b>15,069</b>	<b>11,135</b>	<b>49,954</b>	<b>552</b>	<b>1,051</b>	<b>2,720</b>	<b>154,817</b>	<b>114,559</b>	<b>572,118</b>

## Note 5 Net financial items

USD thousands	Note	Q1 22	Q1 21	FY 21
Interest income		48	54	151
Interest expense lease liabilities	9	(729)	(517)	(1,970)
Other interest expenses		(10,119)	(12,719)	(47,374)
Other borrowing expenses		(2,009)	(1,349)	(3,281)
Change in fair value of derivatives *		4,984	3,029	8,731
Net currency gain / (loss)		2,368	1,067	3,118
Other financial items		(77)	242	10
<b>Net financial items continuing operations</b>		<b>(5,533)</b>	<b>(10,193)</b>	<b>(40,616)</b>

\* Including realised gain derivatives and change in fair value of warrant liabilities.

## Note 6 Property, plant and equipment

### Specification and movements 2022

USD thousands	Note	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2022		1,874,056	102,203	85,792	3,371	43,434	2,108,856
Additions		8,397	2,040	7,257	325	3,624	21,643
Additions due to previously eliminated inter-segment leases		-	-	-	-	13,902	13,902
Disposals		-	-	(271)	-	-	(271)
Disposal through distribution of operations to shareholders	2	-	-	(90,819)	(3,211)	(11,994)	(106,024)
Depreciation from continuing operations		(28,072)	(9,534)	-	(22)	(2,983)	(40,611)
Depreciation from discontinued operations	2	-	-	(1,972)	(91)	(211)	(2,273)
Currency translation differences		-	-	13	27	838	878
<b>Net book amount as at 31 March 2022</b>		<b>1,854,381</b>	<b>94,710</b>	<b>-</b>	<b>400</b>	<b>46,609</b>	<b>1,996,101</b>
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	

### Specification and movements 2021

USD thousands	Note	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2021		1,965,571	123,628	68,724	2,888	42,576	2,203,387
Additions		15,667	4,784	2,484	701	1,682	25,317
Disposals		-	-	(107)	-	-	(107)
Depreciation from continuing operations		(27,877)	(8,190)	-	(24)	(1,227)	(37,319)
Depreciation from discontinued operations	2	-	-	(5,745)	(284)	(568)	(6,597)
Currency translation differences		-	-	(5)	(40)	(87)	(132)
<b>Net book amount as at 31 March 2021</b>		<b>1,953,361</b>	<b>120,221</b>	<b>65,351</b>	<b>3,240</b>	<b>42,376</b>	<b>2,184,550</b>
Useful lifetime		5 - 30 years	5 years	3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule		Straight line	Straight line	Straight line	Straight line	Straight line	

Refer to Note 9 for more information about Right-of-use assets.

### 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 March 2022.

## | Note 7 Intangible assets

### Specification and movements 2022

USD thousands	Note	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2022		18,361	10,154	28,516
Additions		-	1,501	1,501
Disposal through distribution of operations to shareholders	2	(15,392)	(11,268)	(26,660)
Amortisation from continuing operations		-	(47)	(47)
Amortisation from discontinued operations	2	-	(100)	(100)
Currency translation differences		411	208	619
Closing net book amount as at 31 March 2022		3,381	448	3,829

### Specification and movements 2021

USD thousands	Note	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2021		19,740	9,152	28,892
Additions		-	997	997
Amortisation from continuing operations		-	(2)	(2)
Amortisation from discontinued operations	2	-	(984)	(984)
Currency translation differences		(37)	(14)	(51)
Closing net book amount as at 31 March 2021		19,703	9,149	28,852

### Impairment test for goodwill

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Odfjell Drilling has not identified any impairment indicators as at 31 March 2022.

## Note 8 Interest-bearing borrowings

USD thousands	31.03.2022	31.03.2021	31.12.2021
Non-current	726,567	675,998	875,352
Current	140,595	516,736	161,058
<b>Total</b>	<b>867,161</b>	<b>1,192,733</b>	<b>1,036,410</b>

### Movements in the borrowings in 2022 are analysed as follows:

USD thousands	Note	Non-current	Current	Total
Carrying amount as at 1 January 2022		875,352	161,058	1,036,410
<b>CASH FLOWS:</b>				-
New borrowings	2	124,238	25,000	149,238
Paid transaction costs related to new borrowings	2	(2,172)	(560)	(2,733)
Repayment bank loan		(125,000)	(46,053)	(171,053)
<b>NON-CASH FLOWS:</b>				-
Disposal through distribution of operations to shareholders	2	(125,329)	(25,550)	(150,879)
Reclassified from / (to) current borrowings		(25,794)	25,794	-
Change in transaction cost, unamortised		2,048	12	2,060
Change in accrued interest cost		-	908	
Currency translation differences		3,225	(14)	3,210
<b>Carrying amount as at 31 March 2022</b>		<b>726,567</b>	<b>140,595</b>	<b>867,161</b>

### Movements in the borrowings in 2021 are analysed as follows:

USD thousands	Note	Non-current	Current	Total
Carrying amount as at 1 January 2021		695,792	515,799	1,211,591
<b>CASH FLOWS:</b>				-
Repayment bank loan		-	(21,053)	(21,053)
<b>NON-CASH FLOWS:</b>				-
Reclassified from / (to) current borrowings		(20,789)	20,789	-
Change in transaction cost, unamortised		995	354	1,349
Change in accrued interest cost			846	
<b>Carrying amount as at 31 March 2021</b>		<b>675,998</b>	<b>516,736</b>	<b>1,192,733</b>

**Repayment schedule for interest-bearing borrowings**

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

USD thousands	31.03.2022	31.03.2021	31.12.2021
Maturity within 3 months	47,053	67,053	26,053
Maturity between 3 and 6 months	21,053	21,053	52,053
Maturity between 6 and 9 months	47,053	402,053	26,053
Maturity between 9 months and 1 year	21,053	21,053	52,053
Maturity between 1 and 2 years	354,891	84,211	445,816
Maturity between 2 and 3 years	381,000	301,853	440,869
Maturity between 3 and 4 years	-	300,000	-
Maturity between 4 and 5 years	-	-	-
Maturity beyond 5 years	-	-	-
<b>Total contractual amounts</b>	<b>872,101</b>	<b>1,197,274</b>	<b>1,042,896</b>

**The Odfjell Drilling Services Ltd. facility**

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

**New borrowings in 2022**

Refer to Note 2 Discontinued operations for further information.

**Available drawing facilities**

Odfjell Drilling has no available undrawn facilities as per 31 March 2022.

**Covenants**

Odfjell Drilling is compliant with all financial covenants as at 31 March 2022.



## | Note 9 Leases

The balance sheet shows the following amounts related to leases:

<i>USD thousands</i>	Note	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2022		43,434	-	43,434
Additions		2,041	1,582	3,624
Additions due to previously eliminated inter-segment leases		-	13,902	13,902
Disposal through distribution of operations to shareholders	2	(11,994)	-	(11,994)
Depreciation from continuing operations		(987)	(1,996)	(2,983)
Depreciation from discontinued operations	2	(211)	-	(211)
Currency translation differences		837	1	838
<b>Net book amount as at 31 March 2022</b>		<b>33,120</b>	<b>13,489</b>	<b>46,609</b>

<i>USD thousands</i>	Note	Properties	Other fixed assets	Total Right-of-use assets
Net book amount as at 1 January 2021		42,576	-	42,576
Additions		1,682	-	1,682
Depreciation from continuing operations		(1,227)	-	(1,227)
Depreciation from discontinued operations	2	(568)	-	(568)
Currency translation differences		(87)	-	(87)
<b>Net book amount as at 31 March 2021</b>		<b>42,376</b>	<b>-</b>	<b>42,376</b>

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

**Lease liabilities:**

<i>USD thousands</i>	31.03.2022	31.03.2021	31.12.2021
Non-current	36,405	37,496	38,282
Current	13,175	5,585	7,796
<b>Total</b>	<b>49,579</b>	<b>43,081</b>	<b>46,078</b>

**Movements in lease liabilities are analysed as follows:**

<i>USD thousands</i>	Note	Non-current	Current	Total
Carrying amount as at 1 January 2022		38,282	7,796	46,078
<b>CASH FLOWS:</b>				
Payments for the principal portion of the lease liability		-	(3,228)	(3,228)
Payments for the interest portion of the lease liability		-	(915)	(915)
<b>NON-CASH FLOWS:</b>				
New lease liabilities recognised in the year		3,624	-	3,624
Additions due to previously eliminated inter-segment leases		13,902	-	13,902
Disposal through distribution of operations to shareholders	2	(9,374)	(2,599)	(11,973)
Interest expense on lease liabilities		922	-	922
Reclassified to current portion of lease liabilities		(11,982)	11,982	-
Currency exchange differences		1,031	139	1,170
<b>Carrying amount as at 31 March 2022</b>		<b>36,405</b>	<b>13,175</b>	<b>49,579</b>

<i>USD thousands</i>	Non-current	Current	Total
Carrying amount as at 1 January 2021	36,920	7,633	44,553
<b>CASH FLOWS:</b>			
Payments for the principal portion of the lease liability	-	(2,569)	(2,569)
Payments for the interest portion of the lease liability	-	(1,136)	(1,136)
<b>NON-CASH FLOWS:</b>			
New lease liabilities recognised in the year	1,682	-	1,682
Interest expense on lease liabilities	636	-	636
Reclassified to current portion of lease liabilities	(1,671)	1,671	-
Currency exchange differences	(69)	(15)	(84)
<b>Carrying amount as at 31 March 2021</b>	<b>37,496</b>	<b>5,585</b>	<b>43,081</b>

## | Note 10 Financial risk management and Financial instruments

### Financial risk factors

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

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in Note 8.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2021.

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

Calculation of the Group's sensitivity to interest rate fluctuations showed that the effect of an increase in interest rates by one percentage point (e.g. from 4.0% to 5.0%) is approximately USD 5 million for the next 12 months including interest rate swaps, which is about USD 1 million higher than at year-end 2021.

### Liquidity risk

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has per 31 March 2022 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 annual report for the year ended 31 December 2021, Note 9 for further information about the Odfjell Offshore tax enquiry. Also refer to Note 12 in this report regarding issued Letter of indemnity.

Compared to year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except changes in non-current liabilities as disclosed in Note 8.

### Credit risk

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

### 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 as of 31 March 2022 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 Odfjell Drilling Group had the following financial instruments at each reporting period

USD thousands	Level	31.03.2022	31.03.2021	31.12.2021
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	-	2,731	4,963
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	4,101	-	-
- Foreign exchange forward contracts - Other current assets	2	157	4,301	584
<b>OTHER FINANCIAL ASSETS</b>				
Other non-current receivables		-	2,594	2,726
Trade and other current receivables		107,286	147,137	169,126
Cash and cash equivalents		153,872	194,289	173,031
<b>Total financial assets</b>		<b>265,416</b>	<b>351,052</b>	<b>350,429</b>

USD thousands	Level	31.03.2022	31.03.2021	31.12.2021
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	-	8,051	3,017
Warrant liabilities - Other non-current liabilities	3	3,120	4,420	950
<b>OTHER FINANCIAL LIABILITIES</b>				
Non-current interest-bearing borrowings		726,567	675,998	875,352
Current interest-bearing borrowings		140,595	516,736	161,058
Non-current lease liabilities		36,405	37,496	38,282
Current lease liabilities		13,175	5,585	7,796
Trade and other payables		80,163	105,409	99,812
<b>Total financial liabilities</b>		<b>1,000,024</b>	<b>1,353,694</b>	<b>1,186,268</b>

The fair value of other financial assets and liabilities approximate their carrying amount.

## Note 11 Commitments

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

USD thousands	31.03.2022	31.03.2021	31.12.2021
Rig investments	17,991	20,131	10,586
Rental and casing equipment - Discontinued operations	-	4,463	22,241
<b>Total</b>	<b>17,991</b>	<b>24,595</b>	<b>32,827</b>

## | Note 12 Contingencies

### Letter of indemnity

The Group has on 1 March 2022 issued a letter of indemnity to Odfjell Technology Ltd (OTL) to hold OTL indemnified in respect of any liability that may incur in relation to the ongoing Odfjell Offshore Ltd tax enquiries. This includes financing of any (pre-)payments to the Norwegian Tax Authorities, and funds for any legal proceedings. Refer to note 9 in the Annual report 2021 for further information about the Odfjell Offshore Ltd tax enquiries.

There are no other material contingencies to be disclosed as per 31 March 2021.

## | Note 13 Equity 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
<b>Total share capital</b>			<b>2,529</b>

Authorised, not issued shares was 47,093,673 as at 31 March 2022.

There are no changes in issued shares or preference shares in 2022. All issued shares are fully paid.

No shares are held by entities by the Group.



<i>Largest common shareholders at 31 March 2022</i>	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,952,381	60.37%
J.P.Morgan Securities PLC	Nominee	12,506,861	5.28%
Goldman Sachs International	Nominee	6,479,399	2.74%
Brown Brothers Harriman & Co.	Nominee	3,729,024	1.57%
UBS AG	Nominee	2,801,597	1.18%
State Street Bank and Trust Co.	Nominee	2,673,479	1.13%
The Bank of New York Mellon SA/NV	Nominee	2,640,543	1.12%
BNP Paribas Securities Services	Nominee	2,593,018	1.10%
Brown Brothers Harriman & Co.	Nominee	2,356,590	1.00%
Citibank N.A.	Nominee	2,284,751	0.96%
State Street Bank and Trust Co.	Nominee	2,207,913	0.93%
The Bank of New York Mellon SA/NV	Nominee	2,087,564	0.88%
Cape Invest AS	Ordinary	2,000,000	0.84%
Brown Brothers Harriman & Co.	Nominee	1,596,418	0.67%
Morgan Stanley & Co. Int. Plc.	Nominee	1,584,434	0.67%
Nordea Bank Abp	Nominee	1,200,000	0.51%
The Bank of New York Mellon	Nominee	1,105,466	0.47%
Nordnet Livsforsikring AS	Ordinary	1,043,303	0.44%
Ulsmo Finans AS	Ordinary	860,000	0.36%
State Street Bank and Trust Co.	Nominee	774,101	0.33%
<b>Total 20 largest common shareholders</b>		<b>195,476,842</b>	<b>82.56%</b>
Other common shareholders		41,306,360	17.44%
<b>TOTAL COMMON SHAREHOLDERS</b>		<b>236,783,202</b>	<b>100.00%</b>

## | Note 14 Paid dividends and distributions

Refer to Note 2 Discontinued operations regarding distribution to shareholders in 2022.

The Group has not acquired any of its own shares in the interim period ending 31 March 2022.

## Note 15 Earnings per share

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

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

The calculation takes account of all the warrants and share options that are "in-the-money" and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on warrants and share options is calculated as the difference between average fair value in an active market, and exercise price and the sum of

the not recognised cost portion of the options.

The Company has issued warrants for 5,925,000 common shares, and has in addition a share option plan for 960,000 common shares. The warrants represent contingently issuable shares. Following the split, the hurdle rate and number of warrants will be adjusted accordingly. The adjustment is not expected to have any material effect on earnings per share.

Neither the warrants nor the options affect the basic or diluted number of shares in 2021 or 2022, as the terms of execution have not occurred during the years and the share price is below the level set in the warrant agreement.

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

USD thousands	Q1 22	Q1 21	FY 21
Profit/(loss) due to owners of the parent	67,314	(10,912)	73,926
Adjustment for dividends on preference shares	(2,208)	(2,096)	(8,629)
<b>Profit/(loss) for the period due to holders of common shares</b>	<b>65,106</b>	<b>(13,007)</b>	<b>65,297</b>
Adjustment related to warrants and share option plan	-	-	-
<b>Diluted profit/(loss) for the period due to the holders of common shares</b>	<b>65,106</b>	<b>(13,007)</b>	<b>65,297</b>

	Q1 22	Q1 21	FY 21
Weighted average number of common shares in issue	236,783,202	236,783,202	236,783,202
<b>Effects of dilutive potential common shares:</b>			
• Warrants	-	-	-
• Share option plan	-	-	-
<b>Diluted average number of shares outstanding</b>	<b>236,783,202</b>	<b>236,783,202</b>	<b>236,783,202</b>

### Earnings per share

	Q1 22	Q1 21	FY 21
<b>EARNINGS PER SHARE - TOTAL</b>			
Basic earnings per share	0.27	(0.05)	0.28
Diluted earnings per share	0.27	(0.05)	0.28
<b>EARNINGS PER SHARE - CONTINUING OPERATIONS</b>			
Profit/(loss) for the period due to holders of common shares	18,378	(14,759)	52,315
Diluted profit/(loss) for the period due to the holders of common shares	18,378	(14,759)	52,315
Basic earnings per share - continuing operations	0.08	(0.06)	0.22
Diluted earnings per share - continuing operations	0.08	(0.06)	0.22

## | Note 16 Related-party transactions

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.37% of the common shares. Helene Odfjell (Director), controls Odfjell Partners Ltd.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 March 2022.

The Group have lease agreements with the related party Odfjell Land AS (related to main shareholder). Reported lease liability to Odfjell Land AS as at 31 March 2022 is USD 35 million, while payments in Q1 2022 amounts to USD 1 million.

As a part of the day-to-day running of the business, Odfjell Drilling have the following current receivables and liabilities towards companies in the Odfjell Technology Ltd. Group (the discontinued operations). All receivables and liabilities have less than one year maturity

USD thousand	31.03.2022
Trade receivables	663
Other current receivables	1,558
Trade payables	(11,143)
Other current payables	(8,377)
<b>Net current payables related parties</b>	<b>(17,300)</b>

## | Note 17 Important events occurring after the reporting period

May 12 2022, Odfjell Drilling agreed with SFL Corporation Ltd ("SFL") to provide marketing and management services for the harsh environment semisubmersible drilling rig West Hercules. The agreement is based on terms and conditions customary for this type of agreements.

The rig is currently employed on a contract with an oil major in Canada until the fourth quarter of 2022, thereafter the rig will return to Norway to complete a five yearly special periodic survey ("SPS"). Odfjell Drilling will take

over as manager of the West Hercules as soon as the rig returns from Canada. In order to secure work for the West Hercules once the SPS is completed, Odfjell Drilling have already started operational preparations and marketing of the rig.

On May 13 2022, Equinor exercised further work for the Deepsea Stavanger under the continued optionality mechanism. Deepsea Stavanger now has firm wells into Q1 2023.

Equinor has the opportunity to exercise further wells under the continued optionality mechanism.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 31 March 2022.

## Appendix 1: Definitions of alternative performance measures

### Contract backlog

The Company's fair estimation of revenue in firm contracts and relevant optional periods for Own Rigs 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 after taxes.

### Earnings per share

Net profit / number of outstanding shares.

### Leverage ratio (ADJ)

31.03.2022			
Non-current interest-bearing borrowings	USD	727	million
Current interest-bearing borrowings	USD	140	million
Non-current lease liabilities	USD	36	million
Current lease liabilities	USD	13	million
Adjustment for real estate lease liabilities	USD	(36)	million
<b>A Adjusted financial indebtedness</b>	<b>USD</b>	<b>881</b>	<b>MILLION</b>
Cash and cash equivalents	USD	154	million
Adjustment for restricted cash and other cash not ready available	USD	(31)	million
<b>B Adjusted cash and cash equivalents</b>	<b>USD</b>	<b>123</b>	<b>MILLION</b>
<b>A-B=C Adjusted Net interest-bearing debt</b>	<b>USD</b>	<b>758</b>	<b>MILLION</b>
EBITDA last 12 months	USD	291	million
Adjustment for effects of real estate leases	USD	(5)	million
<b>D Adjusted EBITDA</b>	<b>USD</b>	<b>286</b>	<b>MILLION</b>
<b>C/D=E LEVERAGE RATIO (ADJ)</b>		<b>2.7</b>	



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