

# Report for the 3<sup>rd</sup> quarter of 2022

ODFJELL DRILLING LTD.



ODFJELL DRILLING



# HIGHLIGHTS

Odfjell Drilling: chosen for experience and expertise

## 50 years experience

- ✓ Proven track record and drilling industry experience
- ✓ Owns and operates efficient, high specification, harsh environment units with deepwater or UDW capabilities



## Fleet of 8 drilling units

- ✓ Own fleet of 4 units - operates drilling units owned by Odfjell Drilling
- ✓ External fleet of 4 units - management services to other owners of drilling units



## 1,300 employees

- ✓ Odfjell Drilling is a people company with 1,300 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 Q3 2022

**USD 165m**

Revenue

**2.4**

Leverage ratio

**USD 81m**

EBITDA

**USD 155m**

Cash and cash equivalents

**57%**

Equity ratio

**USD 2.0b**

Backlog



ODFJELL DRILLING

# Key figures for the Group

All figures in USD million	Q3 22	Q3 21*	YTD 22	YTD 21*	FY 21*
Operating revenue	165	154	483	429	572
EBITDA	81	77	228	188	258
EBIT	37	39	101	74	107
Net profit	12	28	54	40	61
EBITDA margin	49%	50%	47%	44%	45%
Total assets			2,231	2,516	2,515
Net interest bearing debt			647	947	863
Equity			1,270	1,240	1,268
Equity ratio			57%	49%	50%

\* Profit or loss figures for continuing operations

## Segments

### Own fleet

- Operating revenue of USD 144 million compared to USD 141 million in Q3 2021.
- EBITDA of USD 79 million compared to USD 77 million in Q3 2021.
- EBITDA margin of 55% compared to an EBITDA margin of 55% in Q3 2021.

### External fleet

- Operating revenue of USD 20 million compared to USD 12 million in Q3 2021.
- EBITDA of USD 3 million compared to USD 1 million in Q3 2021.
- EBITDA margin of 17% compared to an EBITDA margin of 9% in Q3 2021.

# 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.

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

Refer to Note 2 Discontinued operations for further information.

## More firm backlog

### Own Fleet

On 24 August, Deepsea Stavanger was awarded a five-year firm contract with Aker BP ASA, scheduled to commence early 2025. The day rates for the contract will be market based, within a pre-agreed range. The day rate will be set by two brokers nine months prior to each year. The base contract value is in the range of USD 620 million to USD 730 million, where the ceiling of the day rate range shall be adjusted based on an inflation adjustment formula starting from June 2023. In addition to the market based day rates,

Aker BP shall pay performance and fuel savings incentive bonuses.

On 8 September 2022, Aker BP added more firm wells to Deepsea Nordkapp with an estimated duration of approximately six months, which will keep the unit occupied into late Q3 2024. The approximate contract value for the exercised wells is USD 60 million (excluding any integrated services). In addition, a performance and fuel incentive bonus will be applicable.

On 30 September 2022, Equinor exercised a further well for Deepsea Stavanger.

Following the exercising of this well, which has an estimated duration of 120 days, the firm backlog now extends into Q4 2023. The day rate is similar to the current contract up to 1st May 2023 from which time there is an increase if certain CO<sup>2</sup> targets have been achieved. A notable performance incentive rate shall apply in addition when wells are delivered safely and ahead of target.

### External Fleet

On 25 August 2022, Deepsea Bollsta secured work with Shell in Namibia. The contract is expected to commence shortly

and has an estimated firm duration of twelve months plus one six-month option.

On 18 November 2022, Hercules secured work for ExxonMobil in Canada. The contract is expected to commence in Q2 2023 and has a firm duration of approximately 135 days, with an extension option for approximately 60 days.

There have been several short contract awards for Deepsea Yantai, which will keep the unit occupied for large parts of 2023.

# Financials

## 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 were distributed to the shareholders in the Company.

The comparative Condensed Consolidated Income Statement and Other Comprehensive Income has been re-presented to show the discontinued operations separately from continuing operations for all periods presented.

### Profit or loss Q3 2022 - Continuing operations

Operating revenue for Q3 2022 was USD 165 million (USD 154 million), an increase of USD 11 million, mainly due to increased activity in the External Fleet segment.

For the Own Fleet segment in the quarter, there was an increase compared to the

previous quarter on performance bonus and fuel incentives paid by clients. In addition, add-on sales from integrated services increased in the quarter.

EBITDA in Q3 2022 was USD 81 million (USD 77 million), an increase of USD 4 million. The EBITDA margin in Q3 2022 was 49% (50%).

Depreciation and amortisation cost in Q3 2022 was USD 44 million (USD 38 million), an increase of USD 6 million, mainly due to increased scope of right-of-use assets related to mooring and drilling equipment.

Net financial expenses in Q3 2022 amounted to USD 25 million (USD 10 million), an increase of USD 15 million, mainly related to net currency losses and negative fair value changes.

Net profit from continuing operations in Q3 2022 was USD 12 million (USD 28 million).

### Balance sheet

Total assets as at 30 September 2022 amounted to USD 2,231 million (USD 2,515 million as at 31 December 2021), a decrease of USD 284 million, mainly related to discontinued operations.

Total equity as at 30 September 2022 amounted to USD 1,270 million (USD 1,268 million as at 31 December 2021), a decrease of USD 2 million. The equity ratio was 57% as at 30 September 2022 (50% as at 31 December 2021).

Net interest bearing debt as at 30 September 2022 amounted to USD 647 million (USD 863 million as at 31 December 2021), a decrease of USD 216 million, due to paid instalments and the net interest bearing debt within the discontinued operations.

At 30 September 2022, cash and cash equivalents amounted to USD 155 million. There has been a negative change of USD

18 million since 31 December 2021, mainly related to USD 50 million net cash disposed of at distribution of the discontinued operations.

### Cash flow Q3 2022 - Continuing operations

Net cash flow from continuing operating activities in Q3 2022 was USD 64 million (USD 60 million). The Group paid USD 11 million (USD 11 million) in interest.

Net cash outflow from investing activities in Q3 2022 was USD 17 million (USD 17 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities in Q3 2022 was USD 27 million (USD 44 million). The Group paid USD 27 million (USD 42 million) in instalments on credit facilities and leases.

## Segments

### Own Fleet

All figures in USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Operating revenue	144	141	428	390	519
EBITDA	79	77	227	188	253
EBIT	36	40	103	79	104
EBITDA margin	55%	55%	53%	48%	49%

(Comparable figures for last comparable period in brackets)

#### Q3 2022

Operating revenue for the Own Fleet segment in Q3 2022 was USD 144 million (USD 141 million). The main driver for the increase is a positive variance for Deepsea Stavanger of USD 9 million due to a higher daily rate in the current Equinor contract compared with Aker BP in 2021 and in addition higher performance bonus and add-on sales. There is also a positive variance on Deepsea Atlantic of USD 2 million driven by higher add-on sales. The

positive variance is offset by a negative variance for Deepsea Aberdeen of USD 6 million due to a lower daily rate in the Equinor contract, which started in May, compared to the BP/Wintershall contract. In addition, there is a negative variance of USD 2 million for Deepsea Nordkapp driven by a lower daily rate from Aker BP after the market adjustment set in Q1 2021 took effect in June 2022. The daily rate reduction is partially offset by higher performance bonus during Q3 2022 compared to same period in 2021.

EBITDA for the Own Fleet segment in Q3 2022 was USD 79 million (USD 77 million).

#### YTD 2022

Operating revenue for the Own Fleet in YTD 2022 was USD 428 million (USD 390 million). The main driver for the increase is a positive variance of USD 44 million for Deepsea Stavanger mainly due to decreased revenue during Q1 2021 as the rig was in transit and between contracts.

In addition, there is a positive variance for Deepsea Atlantic of USD 7 million driven by higher add-on sales. This is offset by a negative variance for Deepsea Aberdeen of USD 9 million due to lower daily rate in the Equinor contract compared to the BP/Wintershall rate, and a negative variance for Deepsea Nordkapp of USD 7 million, due to lower daily rate from Aker BP.

EBITDA for the Own Fleet in YTD 2022 was USD 227 million (USD 188 million).

#### Own Fleet - Financial utilisation

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

	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Deepsea Stavanger	93.7 %	98.5 %	96.2 %	99.0 %	99.0 %
Deepsea Atlantic	96.9 %	98.8 %	97.5 %	94.2 %	95.5 %
Deepsea Aberdeen	98.7 %	99.7 %	98.7 %	98.6 %	98.8 %
Deepsea Nordkapp	99.1 %	98.8 %	99.3 %	98.7 %	98.9 %

- Deepsea Stavanger, Deepsea Atlantic and Deepsea Aberdeen have been operating for Equinor on the NCS during Q3 2022. Deepsea Stavanger and Deepsea Atlantic had some downtime in the quarter due to planned maintenance.
- Deepsea Nordkapp has been operating for Aker BP on the NCS during Q3 2022.

## External Fleet

All figures in USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Operating revenue	20	12	52	36	50
EBITDA	3	1	7	3	5
EBIT	3	1	7	3	5
EBITDA margin	17%	9%	13%	8%	10%

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

### Q3 2022

Operating revenue for the External Fleet in Q3 2022 was USD 20 million (USD 12 million). The main drivers for the increase are the new additions to the fleet, Deepsea Mira, Deepsea Bollsta and Hercules. The management agreements for Deepsea

Mira and Deepsea Bollsta started during Q1 2022, while Hercules started during Q2 2022.

EBITDA for the External Fleet in Q3 2022 was USD 3 million (USD 1 million). Deepsea Mira is in lay up while Deepsea Bollsta has been in reactivation and

mobilisation for operations in Namibia during Q3. The scope of the Hercules management agreement is limited until the rig returns to Norway, which is expected in December 2022.

The impact on the EBITDA level will be minor until the rigs start operations and

the management fees increase from that time.

### YTD 2022

EBITDA for the External Fleet in YTD 2022 was USD 7 million (USD 3 million).

# Environmental, social and governance

Odfjell Drilling's ESG strategy is divided into the focus areas: Environmental Impact; People & Safety; and Ethics & Compliance. 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 the following status update for Q3 2022 on all focus areas.

## **Environmental Impact:**

Odfjell Drilling executed a pilot for the use of biofuel as a low carbon marine fuel in cooperation with Equinor. Since August,

Deepsea Atlantic has operated one engine on 100% Hydrotreated Vegetable Oil (HVO). HVO used in the pilot is produced from waste oil, as encouraged by The Renewable Energy Directive in the EU. This results in more than 80% GHG emission savings compared to fossil fuel comparators. The pilot will be finalised in Q4 2022 and the results will lay the foundation for broad implementation of biofuel on our drilling rigs.

## **People & Safety:**

In connection with reported drone activity on offshore installations on the Norwegian Continental Shelf, monitoring and

reporting procedures have been established for Odfjell Drilling and relevant operators to secure due notification to authorities. The current security situation also implies increased IT security focus, and actions were taken to ensure cyber security incident and crisis response is in place 24/7.

Odfjell Drilling is part of the Maritime Trainee program in Norway, one of our important recruitment channels.

## **Ethics & Governance:**

Odfjell Drilling has implemented a new Human Rights Policy and a new Human

Rights Risk Assessment Procedure. A statement on Odfjell Drilling's approach to human rights was published on the company website (<https://www.odfjelldrilling.com/sustainability/human-rights/>) and includes a channel of communication for requesting further information from the company about this topic.



# Outlook

Globally we see high energy prices, focus on energy security and unprecedented cash flow generation from E&P companies. Investments in oil and gas production are expected to increase significantly in coming years and lead to higher drilling activity. We continue to see an increase in tender and contracting activity, both in the North Sea and internationally. At the same time, the fleet of drilling units has seen a significant reduction over the past years, and

therefore we see a continued strengthening of the market.

In Norway, the temporary tax regime which incentivises acceleration of project sanctioning, is resulting in a significant increase in the submission of Plans for Development and Operation (PDOs) this year, as operators look to meet the 2022 submission deadline.

In the UK, activity levels are expected to increase in the near term, occupying older drilling units currently in the UK with additional supply coming from outside the UK. With the government preparing to issue more than 100 new licences, activity levels in the UK are likely to be sustained in the years ahead.

We also see several opportunities outside the North Sea, and expect that more units will leave Norway for near-term

international opportunities. Further, due to certain barriers to enter Norway and lack of newbuild activity, the mobilisation of incremental supply to Norway is inherently limited and this may result in demand outpacing available supply in Norway in years beyond 2023. We believe this combination of factors will lead to longer-term contracts and an upward pressure on day rates in Norway.

# 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: a considerable worsening of the balance between demand and supply, substantial reduction in oil and gas prices, global political changes regarding energy composition, 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.

Losses incurred by many financial institutions related to previous 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, a 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 a continuous focus on cost reductions, efficiency improvement programs and capital discipline in order to maintain its competitiveness.

# Quality, health, safety & environment (QHSE)

Key figures QHSE	YTD 22*	FY 21*
Lost time incident frequency (as per 1 million working hours)	1.7	1.1
Total recordable incident frequency (as per 1 million working hours)	4.2	1.4
Sick leave (percentage)	5.8	4.9
Dropped objects frequency (as per 1 million working hours)	5.2	1.4

\* Continuing operations only

London, United Kingdom

23 November 2022

Board of Directors of Odfjell Drilling Ltd.

Simen Lieungh, Chair

Helene Odfjell, Director

Harald Thorstein, Director

# Condensed Consolidated Financial Statements





## Condensed Consolidated Income Statement

USD million	Note	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
<b>CONTINUING OPERATIONS</b>						
Operating revenue	3,4	164.8	153.6	482.7	428.7	572.1
Other gains and losses		-	-	-	(0.1)	7.3
Personnel expenses		(48.3)	(48.7)	(152.6)	(150.0)	(199.6)
Other operating expenses		(35.4)	(28.0)	(102.1)	(90.8)	(121.3)
<b>EBITDA</b>		<b>81.2</b>	<b>76.9</b>	<b>228.1</b>	<b>187.8</b>	<b>258.4</b>
Depreciation and amortisation	6,7	(44.1)	(38.0)	(127.4)	(113.3)	(151.4)
<b>Operating profit (EBIT)</b>		<b>37.1</b>	<b>38.8</b>	<b>100.6</b>	<b>74.5</b>	<b>107.1</b>
Net financial items	5	(24.9)	(10.3)	(43.2)	(31.4)	(40.6)
<b>Profit before taxes</b>		<b>12.2</b>	<b>28.5</b>	<b>57.4</b>	<b>43.1</b>	<b>66.5</b>
Income taxes		(0.5)	(0.8)	(3.3)	(3.1)	(5.5)
<b>Net profit from continuing operations</b>		<b>11.6</b>	<b>27.7</b>	<b>54.1</b>	<b>39.9</b>	<b>60.9</b>
Profit from discontinued operations	2	-	2.8	46.7	6.3	12.9
<b>Profit (loss)</b>		<b>11.6</b>	<b>30.5</b>	<b>100.8</b>	<b>46.2</b>	<b>73.9</b>
<b>Profit (loss) attributable to:</b>						
Non-controlling interests		-	-	-	(0.5)	(0.5)
Owners of the parent		11.6	30.5	100.8	46.7	74.4
<b>EARNINGS PER SHARE (USD)</b>						
Basic earnings per share	15	0.04	0.12	0.40	0.17	0.28
Diluted earnings per share	15	0.04	0.12	0.40	0.17	0.28
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS (USD)</b>						
Basic earnings per share	15	0.04	0.11	0.20	0.14	0.22
Diluted earnings per share	15	0.04	0.11	0.20	0.14	0.22

## Condensed Consolidated Statement of Comprehensive Income

USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
<b>PROFIT (LOSS)</b>	<b>11.6</b>	<b>30.5</b>	<b>100.8</b>	<b>46.2</b>	<b>73.9</b>
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurements of post employment benefit obligations (net of tax)	-	(0.1)	-	(0.1)	(0.3)
<b>Items that are or may be reclassified to profit or loss:</b>					
Cash flow hedges	2.5	(0.2)	12.0	0.9	3.9
Currency translation differences	(4.2)	(3.0)	(15.5)	(3.3)	(3.8)
Reclassification of foreign currency translation reserve	-	-	27.0	-	-
<b>Other comprehensive income, net of tax</b>	<b>(1.7)</b>	<b>(3.3)</b>	<b>23.5</b>	<b>(2.5)</b>	<b>(0.3)</b>
<b>Total comprehensive income</b>	<b>9.9</b>	<b>27.2</b>	<b>124.3</b>	<b>43.7</b>	<b>73.6</b>
<b>Total comprehensive income attributable to:</b>					
Non-controlling interests	-	-	-	(0.5)	(0.5)
Owners of the parent	9.9	27.2	124.3	44.2	74.1



## Condensed Consolidated Statement of Financial Position

USD million	Note	30.09.2022	30.09.2021	31.12.2021
<b>ASSETS</b>				
Property, plant and equipment	6	1,953.2	2,137.3	2,108.9
Intangible assets	7	3.1	28.1	28.5
Deferred tax asset		0.6	1.1	1.3
Other non-current assets	10	9.5	6.1	8.2
<b>Total non-current assets</b>		<b>1,966.5</b>	<b>2,172.5</b>	<b>2,146.8</b>
Trade receivables		86.1	170.0	154.5
Contract assets		7.9	11.3	10.2
Other current assets	10	15.1	27.5	30.5
Cash and cash equivalents		155.3	135.0	173.0
<b>Total current assets</b>		<b>264.4</b>	<b>343.8</b>	<b>368.3</b>
<b>TOTAL ASSETS</b>		<b>2,230.9</b>	<b>2,516.4</b>	<b>2,515.2</b>

USD million	Note	30.09.2022	30.09.2021	31.12.2021
<b>EQUITY AND LIABILITIES</b>				
Paid-in capital	13	445.2	565.0	565.0
Other equity		825.1	675.4	703.2
<b>Total equity</b>		<b>1,270.3</b>	<b>1,240.4</b>	<b>1,268.2</b>
Non-current interest-bearing borrowings	8	661.8	925.5	875.4
Non-current lease liabilities	9	38.6	38.0	38.3
Non-current contract liabilities		-	5.8	5.6
Other non-current liabilities	10	2.7	13.6	10.0
<b>Total non-current liabilities</b>		<b>703.0</b>	<b>983.0</b>	<b>929.2</b>
Current interest-bearing borrowings	8	140.8	157.0	161.1
Current lease liabilities	9	25.2	7.7	7.8
Contract liabilities		18.6	20.5	21.8
Trade payables		31.8	37.9	43.2
Other current liabilities	10	41.2	69.9	83.9
<b>Total current liabilities</b>		<b>257.6</b>	<b>293.0</b>	<b>317.8</b>
<b>Total liabilities</b>		<b>960.6</b>	<b>1,276.0</b>	<b>1,247.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,230.9</b>	<b>2,516.4</b>	<b>2,515.2</b>

## Condensed Consolidated Statement of Changes in Equity

USD million	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>565.0</b>	<b>632.9</b>	<b>1,197.9</b>	<b>1,112.6</b>	<b>85.2</b>	<b>0.6</b>	<b>1,198.5</b>
Profit/(loss) for the period		-	46.7	46.7	40.3	6.4	(0.5)	46.2
Other comprehensive income for the period		-	(2.5)	(2.5)	(2.5)	-	0.0	(2.5)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>44.2</b>	<b>44.2</b>	<b>37.8</b>	<b>6.4</b>	<b>(0.5)</b>	<b>43.7</b>
Dividend to preference shareholders		-	(2.1)	(2.1)	-	(2.1)	-	(2.1)
Loss of control of a subsidiary		-	-	-	-	-	(0.1)	(0.1)
Cost of share-based option plan		-	0.4	0.4	0.4	-	-	0.4
<b>Transactions with owners</b>		<b>-</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>0.4</b>	<b>(2.1)</b>	<b>(0.1)</b>	<b>(1.8)</b>
<b>BALANCE AT 30 SEPTEMBER 2021</b>		<b>565.0</b>	<b>675.4</b>	<b>1,240.4</b>	<b>1,150.9</b>	<b>89.5</b>	<b>-</b>	<b>1,240.4</b>
Total comprehensive income for the period Q4		-	29.8	29.8	27.6	2.2	-	29.8
Transactions with owners for the period Q4		-	(2.1)	(2.1)	0.1	(2.2)	-	(2.1)
<b>BALANCE AT 31 DECEMBER 2021</b>		<b>565.0</b>	<b>703.2</b>	<b>1,268.2</b>	<b>1,178.6</b>	<b>89.5</b>	<b>-</b>	<b>1,268.2</b>
Profit/(loss) for the period		-	100.8	100.8	94.1	6.8	-	100.8
Other comprehensive income for the period		-	23.5	23.5	23.5	-	-	23.5
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>124.3</b>	<b>124.3</b>	<b>117.5</b>	<b>6.8</b>	<b>-</b>	<b>124.3</b>
Distribution of shares in Odfjell Technology Ltd. to common shareholders	2	(119.8)	-	(119.8)	(119.8)	-	-	(119.8)
Dividend to preference shareholders		-	(2.2)	(2.2)	-	(2.2)	-	(2.2)
Cost of share-based option plan		-	0.3	0.3	0.3	-	-	0.3
Settlement of share-based option plan		-	(0.5)	(0.5)	(0.5)	-	-	(0.5)
<b>Transactions with owners</b>		<b>(119.8)</b>	<b>(2.4)</b>	<b>(122.2)</b>	<b>(120.0)</b>	<b>(2.2)</b>	<b>-</b>	<b>(122.2)</b>
<b>BALANCE AT 30 SEPTEMBER 2022</b>		<b>445.2</b>	<b>825.1</b>	<b>1,270.3</b>	<b>1,176.2</b>	<b>94.1</b>	<b>-</b>	<b>1,270.3</b>

## Condensed Consolidated Statement of Cash Flows

USD million	Note	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Profit/(loss) before tax from continuing operations		12.2	28.5	57.4	43.1	66.5
Profit before tax from discontinued operations	2	-	2.7	10.3	6.1	11.2
Adjustment for interest, provisions and non-cash elements		65.6	57.8	185.2	171.1	230.2
Changes in working capital		(2.4)	(17.7)	(21.1)	(33.3)	0.2
<b>Cash generated from operations</b>		<b>75.4</b>	<b>71.3</b>	<b>231.8</b>	<b>187.0</b>	<b>308.1</b>
Net interest paid		(10.5)	(10.9)	(32.9)	(37.6)	(49.9)
Net income tax paid		(0.5)	(0.2)	(1.4)	(1.6)	(1.7)
<b>Net cash flow from operating activities</b>		<b>64.4</b>	<b>60.1</b>	<b>197.6</b>	<b>147.8</b>	<b>256.5</b>
-of which from continuing operations		64.4	58.4	185.3	128.5	216.3
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of property, plant and equipment	6,7	(17.1)	(17.1)	(40.1)	(79.2)	(97.8)
Proceeds from sale of property, plant and equipment		-	0.2	0.8	0.9	1.0
Disposal of discontinued operations, net cash disposed of	2	-	-	(49.7)	-	-
Other investing activities		-	(0.1)	(2.0)	(0.4)	(0.5)
<b>Net cash flow from investing activities</b>		<b>(17.1)</b>	<b>(17.1)</b>	<b>(90.9)</b>	<b>(78.7)</b>	<b>(97.4)</b>
-of which from continuing operations		(17.1)	(12.5)	(31.8)	(63.6)	(71.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Proceeds from borrowings	8	-	(2.1)	146.5	(2.1)	(2.1)
Repayment of borrowings	8	(21.1)	(41.1)	(239.2)	(129.2)	(176.2)
Repayment of lease liabilities	9	(5.6)	(0.8)	(13.3)	(4.7)	(6.1)
Dividends paid to preference shareholders		-	-	(2.2)	(2.1)	(4.3)
<b>Net cash flow from financing activities</b>		<b>(26.7)</b>	<b>(44.0)</b>	<b>(108.1)</b>	<b>(138.1)</b>	<b>(188.8)</b>
-of which from continuing operations		(26.7)	(43.2)	(254.0)	(136.3)	(186.3)
Effects of exchange rate changes on cash and cash equivalents		(9.3)	(1.4)	(16.3)	(2.8)	(4.2)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>11.4</b>	<b>(2.3)</b>	<b>(17.7)</b>	<b>(71.9)</b>	<b>(33.9)</b>
Cash and cash equivalents at beginning of period		143.9	137.4	173.0	206.9	206.9
<b>Cash and cash equivalents at period end</b>		<b>155.3</b>	<b>135.0</b>	<b>155.3</b>	<b>135.0</b>	<b>173.0</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 its 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 23 November 2022 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the nine months period ended 30 September 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.

### 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 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 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 also provides 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 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.

At the end of March 2022, the shares in Odfjell Technology were distributed to the shareholders in 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 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 Consolidated Income Statement and Other Comprehensive Income ("OCI") has been re-presented to show the discontinued operations separately from continuing operations.

Subsequent to 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 operations before the disposal, in a way that reflects the continuance of these transactions subsequent to 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 has been reclassified from OCI to the income statement on distribution of the foreign operations in the Odfjell Technology group.

**Results of discontinued operations**

USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Operating revenue	-	85.9	94.4	247.9	342.9
Elimination of inter-segment revenue	-	(12.5)	(17.4)	(34.7)	(51.2)
<b>External revenue</b>	-	<b>73.5</b>	<b>77.0</b>	<b>213.3</b>	<b>291.7</b>
Other gains and losses	-	0.4	0.6	0.7	0.7
Personnel expenses	-	(55.3)	(60.5)	(162.0)	(220.6)
Other operating expenses	-	(19.4)	(21.2)	(56.2)	(77.9)
Elimination of expenses related to inter-segment sales	-	12.5	17.4	34.7	51.2
<b>EBITDA</b>	-	<b>11.6</b>	<b>13.3</b>	<b>30.4</b>	<b>45.1</b>
Depreciation and amortisation	-	(7.5)	(2.4)	(22.2)	(30.6)
<b>Operating profit (EBIT)</b>	-	<b>4.1</b>	<b>10.9</b>	<b>8.2</b>	<b>14.5</b>
Share of profit (loss) from joint ventures and associates	-	(0.1)	(0.4)	(0.2)	(0.5)
Net financial items	-	(1.2)	(0.2)	(1.4)	(2.0)
Elimination of inter-segment financial income	-	(0.1)	(0.1)	(0.4)	(0.8)
<b>Profit before tax</b>	-	<b>2.7</b>	<b>10.3</b>	<b>6.1</b>	<b>11.2</b>
Income tax	-	0.1	0.0	0.2	1.7
<b>Results of discontinued operations, net of tax</b>	-	<b>2.8</b>	<b>10.3</b>	<b>6.3</b>	<b>12.9</b>
Reclassification of foreign currency translation reserve	-	-	(27.0)	-	-
Gain related to distribution of discontinued operations	-	-	63.4	-	-
<b>Profit from discontinued operations, net of tax</b>	-	<b>2.8</b>	<b>46.7</b>	<b>6.3</b>	<b>12.9</b>
<b>Earnings per share from discontinued operations (USD)</b>					
Basic earnings per share	-	0.01	0.20	0.03	0.06
Diluted earnings per share	-	0.01	0.20	0.03	0.06

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

USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Net cash generated from operating activities	-	1.7	12.2	19.3	40.2
Net cash used in investing activities	-	(4.6)	(59.0)	(15.1)	(26.4)
Net cash generated from / (used in) financing activities	-	(0.7)	145.9	(1.9)	(2.5)
<b>Net cash flows</b>	-	<b>(3.6)</b>	<b>99.1</b>	<b>2.4</b>	<b>11.3</b>

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

USD million	YTD 22
Property, plant and equipment	(106.0)
Intangible assets	(26.7)
Deferred tax asset	(1.8)
Financial non-current assets	(4.7)
Trade and other receivables	(102.8)
Other current assets	(9.8)
Cash and cash equivalents	(49.7)
Non-current interest-bearing borrowings	125.3
Non-current lease liabilities	9.4
Post-employment benefits	5.4
Non-current contract liabilities	5.9
Current interest-bearing borrowings	25.6
Current lease liabilities	2.6
Contract liabilities	0.2
Trade and other current payables	35.5
Other current liabilities	35.2
<b>NET ASSETS AND LIABILITIES</b>	<b>(56.4)</b>
Cash and cash equivalents disposed of	(49.7)
<b>Net cash outflows</b>	<b>(49.7)</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 oil and gas companies. 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 provided 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 million	Own Fleet		External Fleet		Corporate / other		Consolidated	
	Q3 22	Q3 21	Q3 22	Q3 21	Q3 22	Q3 21	Q3 22	Q3 21
External segment revenue	144.1	140.9	20.1	12.1	0.7	0.5	164.8	153.6
Inter segment revenue	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>144.1</b>	<b>140.9</b>	<b>20.1</b>	<b>12.1</b>	<b>0.7</b>	<b>0.5</b>	<b>164.8</b>	<b>153.6</b>
<b>EBITDA</b>	<b>79.3</b>	<b>76.9</b>	<b>3.4</b>	<b>1.1</b>	<b>(1.6)</b>	<b>(1.2)</b>	<b>81.2</b>	<b>76.9</b>
Depreciation and amortisation	(43.1)	(37.1)	-	-	(1.0)	(1.0)	(44.1)	(38.0)
<b>EBIT</b>	<b>36.2</b>	<b>39.9</b>	<b>3.4</b>	<b>1.1</b>	<b>(2.6)</b>	<b>(2.2)</b>	<b>37.1</b>	<b>38.8</b>
Net financial items							(24.9)	(10.3)
<b>PROFIT BEFORE TAX - CONSOLIDATED GROUP</b>							<b>12.2</b>	<b>28.5</b>

USD million	Own Fleet			External Fleet			Corporate / other			Consolidated		
	YTD 22	YTD 21	FY 21	YTD 22	YTD 21	FY 21	YTD 22	YTD 21	FY 21	YTD 22	YTD 21	FY 21
External segment revenue	428.4	390.4	519.4	51.9	36.2	50.0	2.5	2.1	2.7	482.7	428.7	572.1
Inter segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>428.4</b>	<b>390.4</b>	<b>519.4</b>	<b>51.9</b>	<b>36.2</b>	<b>50.0</b>	<b>2.5</b>	<b>2.1</b>	<b>2.7</b>	<b>482.7</b>	<b>428.7</b>	<b>572.1</b>
<b>EBITDA</b>	<b>227.2</b>	<b>188.5</b>	<b>253.4</b>	<b>6.9</b>	<b>3.1</b>	<b>5.2</b>	<b>(6.1)</b>	<b>(3.7)</b>	<b>(0.1)</b>	<b>228.1</b>	<b>187.8</b>	<b>258.4</b>
Depreciation and amortisation	(124.1)	(109.8)	(149.0)	-	-	-	(3.4)	(3.6)	(2.4)	(127.4)	(113.3)	(151.4)
<b>EBIT</b>	<b>103.2</b>	<b>78.7</b>	<b>104.4</b>	<b>6.9</b>	<b>3.1</b>	<b>5.2</b>	<b>(9.5)</b>	<b>(7.3)</b>	<b>(2.5)</b>	<b>100.6</b>	<b>74.5</b>	<b>107.1</b>
Net financial items										(43.2)	(31.4)	(40.6)
<b>PROFIT BEFORE TAX - CONSOLIDATED GROUP</b>										<b>57.4</b>	<b>43.1</b>	<b>66.5</b>

## Note 4 Revenue

USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Revenue from contracts with customers	90.6	101.6	297.3	297.1	390.7
Lease component in Own Fleet contracts	74.2	51.7	185.1	131.0	180.6
Other operating revenue	-	0.2	0.4	0.6	0.8
<b>Operating revenue - Continuing operations</b>	<b>164.8</b>	<b>153.6</b>	<b>482.7</b>	<b>428.7</b>	<b>572.1</b>

### Disaggregation of revenue - Primary geographical markets

All revenue, for all segments and consolidated figures, for all periods covered in these financial statements are allocated to the geographical market of Norway.

## Note 5 Net financial items

USD million	Note	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Interest income		0.8	0.0	1.0	0.1	0.2
Interest expense lease liabilities	9	(1.2)	(0.5)	(3.0)	(1.5)	(2.0)
Other interest expenses		(11.3)	(11.5)	(31.3)	(36.3)	(47.4)
Other borrowing expenses *		(1.3)	(1.7)	(4.7)	(1.7)	(3.3)
Change in fair value of derivatives **		(2.5)	1.9	3.1	5.8	8.7
Net currency gain / (loss) ***		(8.4)	1.4	(7.3)	1.9	3.1
Other financial items		(0.9)	0.0	(1.1)	0.2	0.0
<b>Net financial items continuing operations</b>		<b>(24.9)</b>	<b>(10.3)</b>	<b>(43.2)</b>	<b>(31.4)</b>	<b>(40.6)</b>

\* 2021 figures include recognised modification gain and loss related to the extension and amendment to the Odfjell Rig III Ltd. facility and the Odfjell Drilling Services Ltd. facility, as a result of recalculating amortised cost according to IFRS 9.

\*\* YTD 2022 figures include a realised gain on derivatives of USD 12 million.

\*\*\* The Group currently holds a large portion of its liquidity in NOK, which has weakened against USD during Q3 2022, resulting in a currency loss.



## Note 6 Property, plant and equipment

### Specification and movements 2022

USD million	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		1,874.1	102.2	85.8	3.4	43.4	2,108.9
Additions		21.1	8.9	7.3	1.4	36.1	74.9
Additions due to previously eliminated inter-segment leases		-	-	-	-	13.9	13.9
Disposals		-	-	(0.3)	-	-	(0.3)
Disposal through distribution of operations to shareholders	2	-	-	(90.8)	(3.2)	(12.0)	(106.0)
Depreciation from continuing operations		(84.4)	(28.8)	-	(0.1)	(14.0)	(127.3)
Depreciation from discontinued operations	2	-	-	(2.0)	(0.1)	(0.2)	(2.3)
Currency translation differences		-	-	0.0	(0.2)	(8.4)	(8.5)
<b>Net book amount as at 30 September 2022</b>		<b>1,810.8</b>	<b>82.3</b>	<b>-</b>	<b>1.2</b>	<b>58.8</b>	<b>1,953.2</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	

### 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 exceeds 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 30 September 2022.

## Note 7 Intangible assets

### Specification and movements 2022

USD million	Note	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2022		18.4	10.2	28.5
Additions		-	1.7	1.7
Disposal through distribution of operations to shareholders	2	(15.4)	(11.3)	(26.7)
Amortisation from continuing operations		-	(0.1)	(0.1)
Amortisation from discontinued operations	2	-	(0.1)	(0.1)
Currency translation differences		(0.2)	0.1	(0.1)
<b>Closing net book amount as at 30 September 2022</b>		<b>2.7</b>	<b>0.4</b>	<b>3.1</b>

## Note 8 Interest-bearing borrowings

USD million	30.09.2022	30.09.2021	31.12.2021
Non-current	661.8	925.5	875.4
Current	140.8	157.0	161.1
<b>Total</b>	<b>802.6</b>	<b>1,082.5</b>	<b>1,036.4</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 30 September 2022.

### Covenants

Odfjell Drilling is compliant with all financial covenants as at 30 September 2022.

**Movements in the interest-bearing borrowings are analysed as follows:**

USD million	Note	30.09.2022			30.09.2021		
		Non-current	Current	Total	Non-current	Current	Total
Carrying amount as at 1 January		875.4	161.1	1,036.4	695.8	515.8	1,211.6
<b>CASH FLOWS:</b>				-			-
New borrowings	2	124.2	25.0	149.2	-	-	-
Paid transaction costs related to new borrowings	2	(2.2)	(0.6)	(2.7)	(2.1)	-	(2.1)
Repayment bank loan		(125.0)	(114.2)	(239.2)	-	(129.2)	(129.2)
<b>NON-CASH FLOWS:</b>				-			-
Disposal through distribution of operations to shareholders	2	(125.3)	(25.6)	(150.9)	-	-	-
Reclassified from / (to) current borrowings		(93.3)	93.3	-	231.0	(231.0)	-
Change in transaction cost, unamortised		4.7	0.0	4.8	0.9	0.8	1.7
Change in accrued interest cost		-	1.8	1.8	-	0.6	0.6
Currency translation differences		3.2	(0.0)	3.2	-	-	-
<b>Carrying amount as at end of period</b>		<b>661.8</b>	<b>140.8</b>	<b>802.6</b>	<b>925.5</b>	<b>157.0</b>	<b>1,082.5</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 million	30.09.2022	30.09.2021	31.12.2021
Maturity within 3 months	47.1	47.1	26.1
Maturity between 3 and 6 months	21.1	26.1	52.1
Maturity between 6 and 9 months	47.1	52.1	26.1
Maturity between 9 months and 1 year	21.1	26.1	52.1
Maturity between 1 and 2 years	668.4	271.2	445.8
Maturity between 2 and 3 years	-	667.3	440.9
Maturity between 3 and 4 years	-	-	-
Maturity between 4 and 5 years	-	-	-
Maturity beyond 5 years	-	-	-
<b>Total contractual amounts</b>	<b>804.6</b>	<b>1,089.7</b>	<b>1,042.9</b>

## Note 9 Leases

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

### Lease liabilities:

USD million	30.09.2022	30.09.2021	31.12.2021
Non-current	38.6	38.0	38.3
Current	25.2	7.7	7.8
<b>Total</b>	<b>63.8</b>	<b>45.7</b>	<b>46.1</b>

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

USD million		30.09.2022			30.09.2021		
	Note	Non-current	Current	Total	Non-current	Current	Total
Carrying amount as at 1 January		38.3	7.8	46.1	36.9	7.6	44.6
<b>CASH FLOWS:</b>							
Payments for the principal portion of the lease liability		-	(13.3)	(13.3)	-	(4.7)	(4.7)
Payments for the interest portion of the lease liability		-	(3.2)	(3.2)	-	(1.9)	(1.9)
<b>NON-CASH FLOWS:</b>							
New lease liabilities recognised in the year		36.1	-	36.1	7.1	-	7.1
Additions due to previously eliminated inter-segment leases		13.9	-	13.9	-	-	-
Disposal through distribution of operations to shareholders	2	(9.4)	(2.6)	(12.0)	-	-	-
Interest expense on lease liabilities		3.2	-	3.2	1.9	-	1.9
Reclassified to current portion of lease liabilities		(38.3)	38.3	-	(6.9)	6.9	-
Currency exchange differences		(5.2)	(1.9)	(7.1)	(1.0)	(0.2)	(1.2)
<b>Carrying amount as at end of period</b>		<b>38.6</b>	<b>25.2</b>	<b>63.8</b>	<b>38.0</b>	<b>7.7</b>	<b>45.7</b>



## Note 10 Financial risk management and financial instruments

### Warrant liability

In 2018, the Company issued warrants for 5,925,000 common shares. Following the spin-off of Odfjell Technology, the hurdle rate and number of warrants has been adjusted to maintain the same value of the warrants, increasing the number of issued warrants to 6,837,492, and decreasing the exercise prices from the range of NOK 36 - NOK 107.50 to the range of NOK 31.20 - NOK 93.15. The

warrants represent contingently issuable shares.

### 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 30 September 2022 related to the warrant agreements, nor to the modelling technique used to calculate fair value, other than an adjustment of the number of warrants and exercise price as explained above. Changes in book value relate to fair value changes.

### The Odfjell Drilling Group had the following financial instruments at each reporting period

USD million	Level	30.09.2022	30.09.2021	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	-	2.7	5.0
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	9.5	-	-
- Foreign exchange forward contracts - Other current assets	2	-	1.6	0.6
<b>OTHER FINANCIAL ASSETS</b>				
Other non-current receivables		-	3.4	2.7
Trade and other current receivables		95.0	183.3	169.1
Cash and cash equivalents		155.3	135.0	173.0
<b>Total financial assets</b>		<b>259.8</b>	<b>326.0</b>	<b>350.4</b>

USD million	Level	30.09.2022	30.09.2021	31.12.2021
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current liabilities	2	2.7		
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	2	-	6.2	3.0
Warrant liabilities - Other non-current liabilities	3	2.2	1.6	1.0
<b>OTHER FINANCIAL LIABILITIES</b>				
Non-current interest-bearing borrowings		661.8	925.5	875.4
Current interest-bearing borrowings		140.8	157.0	161.1
Non-current lease liabilities		38.6	38.0	38.3
Current lease liabilities		25.2	7.7	7.8
Trade and other payables		59.0	92.0	99.8
<b>Total financial liabilities</b>		<b>930.4</b>	<b>1,228.0</b>	<b>1,186.3</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 million	30.09.2022	30.09.2021	31.12.2021
Rig investments	15.6	13.0	10.6
Rental and casing equipment - Discontinued operations	-	20.3	22.2
<b>Total</b>	<b>15.6</b>	<b>33.3</b>	<b>32.8</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 occur 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.

2 September 2022 Odfjell Offshore Ltd received a draft decision letter from the Norwegian Tax Authorities where they adhere to the arguments set forth in the letter from March 2021, i.e. that the company is not tax resident in Norway, and if it is, that the losses are not tax deductible. A response letter from the company was submitted 31 October 2022. The Group is still 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 is a risk that the Norwegian Tax Authorities will demand upfront payment of approximately USD 30 million plus interest, even if the final conclusion will be in the Group's favour.

There are no other material contingencies to be disclosed as per 30 September 2022.

## | Note 13 Share 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 30 September 2022.

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

The Group has not acquired any of its own shares in the interim period ending 30 September 2022, and no shares are held by entities in the Group.

## | Note 14 Dividends and distributions

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

The Group paid cash dividends of USD 2.2 million in Q2 2022 to the holders of the preference shares.

At 30 June 2022, a preferred payment in kind dividend of USD 2.2 million was capitalised, increasing the accrued

preference capital balance to USD 91.8 million. Refer to Note 13 for more information about the preference shares.

## Note 15 Earnings per share

The Company has issued warrants for 6,837,492 common shares. The warrants represent contingently issuable shares.

31 May 2022, the previous share option programme with Simen Lieungh (Director) was settled in cash.

options for a total of 1,450,000 common shares, at a strike price of NOK 23.37 per share to certain of its employees.

Neither the warrants nor the options affect the basic or diluted number of shares in 2021 or 2022.

27 June 2022 the Company implemented a new share option plan and allocated

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

USD million	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Profit/(loss) due to owners of the parent	11.6	30.5	100.8	46.7	73.9
Adjustment for dividends on preference shares	(2.3)	(2.2)	(6.8)	(6.4)	(8.6)
<b>Profit/(loss) for the period due to holders of common shares</b>	<b>9.3</b>	<b>28.3</b>	<b>94.1</b>	<b>40.3</b>	<b>65.3</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>9.3</b>	<b>28.3</b>	<b>94.1</b>	<b>40.3</b>	<b>65.3</b>
	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Weighted average number of common shares in issue	236,783,202	236,783,202	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>	<b>236,783,202</b>	<b>236,783,202</b>

	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
<b>EARNINGS PER SHARE - TOTAL</b>					
Basic earnings per share (USD)	0.04	0.12	0.40	0.17	0.28
Diluted earnings per share (USD)	0.04	0.12	0.40	0.17	0.28
<b>EARNINGS PER SHARE - CONTINUING OPERATIONS</b>					
Profit/(loss) for the period due to holders of common shares	9.3	25.5	47.3	33.5	52.3
Diluted profit/(loss) for the period due to the holders of common shares	9.3	25.5	47.3	33.5	52.3
Basic earnings per share - continuing operations (USD)	0.04	0.11	0.20	0.14	0.22
Diluted earnings per share - continuing operations (USD)	0.04	0.11	0.20	0.14	0.22

## Note 16 Related-party transactions

The Group had the following material transactions with related parties:

USD million	Relation	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	0.3	n/a	0.7	n/a	n/a
<b>Total sales of services to related parties</b>		<b>0.3</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>-</b>

The revenues are related to administration services and are included in "Corporate/Other" column in the segment reporting.

USD million	Relation	Q3 22	Q3 21	YTD 22	YTD 21	FY 21
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	15.5	n/a	29.9	n/a	n/a
<b>Total purchases from related parties</b>		<b>15.5</b>	<b>-</b>	<b>29.9</b>	<b>-</b>	<b>-</b>

Purchases consist of services and rentals, as well as global business services, provided by well services, engineering and technology companies within the Odfjell Technology Group. All transactions have been carried out as part of the ordinary operations. Amounts listed in the table above do not include payment for rentals considered as leases, see table below.

### Current receivables and liabilities

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 million	30.09.2022
Trade receivables	0.2
Other current receivables	0.1
Trade payables	(9.6)
Other current payables	(3.7)
<b>Net current payables related parties</b>	<b>(13.0)</b>

### Lease agreements

USD million		30.09.2022	Q3 2022	YTD 2022
Related party	Type of asset	Lease liability	Payments	Payments
Odfjell Land AS	Properties	28.4	(1.2)	(3.7)
Companies within the Odfjell Technology Ltd. Group	Mooring and drilling equipment	35.4	(5.6)	(11.9)
<b>Total</b>		<b>63.8</b>	<b>(6.7)</b>	<b>(15.6)</b>



#### **Shareholdings by related parties**

Helene Odfjell (Director), controls Odfjell Partners Ltd, which owns 60.37% of the common shares in the Company as per 30 September 2022.

## **| Note 17** Events after the reporting period

There have been no events after the balance sheet date with material effect on the quarterly financial statements ended 30 September 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 Fleet measured in USD - subject to variations in currency exchange rates. The calculation does not include anything on performance bonuses and fuel incentives.

### 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 profit (loss)

Equal to profit (loss) for the period after taxes.

### Earnings per share

Net profit / number of outstanding shares.

### Leverage ratio

30.09.2022			
Non-current interest-bearing borrowings	USD	662	million
Current interest-bearing borrowings	USD	141	million
Non-current lease liabilities	USD	39	million
Current lease liabilities	USD	25	million
Adjustment for real estate lease liabilities	USD	(28)	million
<b>A Adjusted financial indebtedness</b>	<b>USD</b>	<b>838</b>	<b>MILLION</b>
Cash and cash equivalents	USD	155	million
Adjustment for restricted cash and other cash not readily available	USD	(30)	million
<b>B Adjusted cash and cash equivalents</b>	<b>USD</b>	<b>125</b>	<b>MILLION</b>
<b>A-B=C Adjusted Net interest-bearing debt</b>	<b>USD</b>	<b>713</b>	<b>MILLION</b>
EBITDA last 12 months	USD	299	million
Adjustment for effects of real estate leases	USD	(5)	million
<b>D Adjusted EBITDA</b>	<b>USD</b>	<b>294</b>	<b>MILLION</b>
<b>C/D=E LEVERAGE RATIO</b>		<b>2.4</b>	



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