



ODFJELL DRILLING

Q4 2022 Presentation

16 February 2023



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Agenda

- Q4 Summary
- Operational Review
- Financial Review
- Fleet Update
- Summary

Q4 Summary



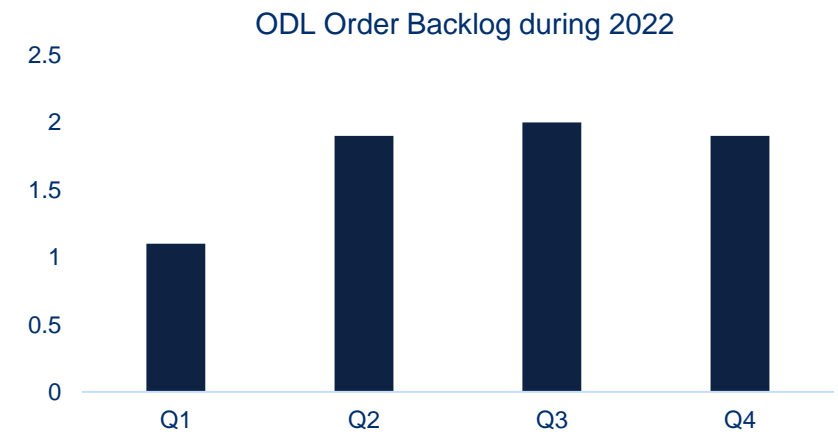
Own fleet utilisation at 97.9% (98.1% FY22) during the period, continuing our record of exceptional asset utilisation.

Multiple new contracts and option agreements secured during the period with new and existing customers including ExxonMobil, Total Energies, Equinor and Neptune Energy

Operational Highlights

Continued strong operational performance across the business in an improving industry environment.

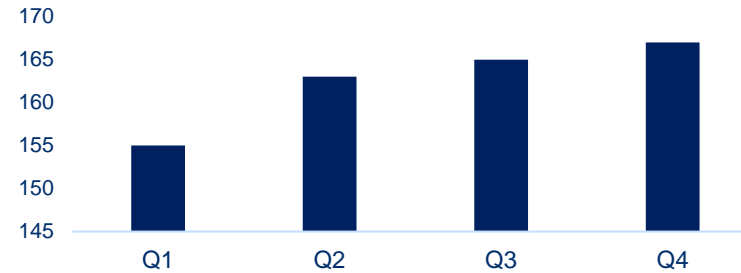
Solid order backlog maintained with around USD 1.9bn of firm and optional order backlog.



Officially took over management of the Hercules in late December expanding our fleet of 6th generation high-spec rigs capable of drilling across the globe to 8.

Strong financial performance during the period

- **USD 167m Revenue** (USD 650m FY22)

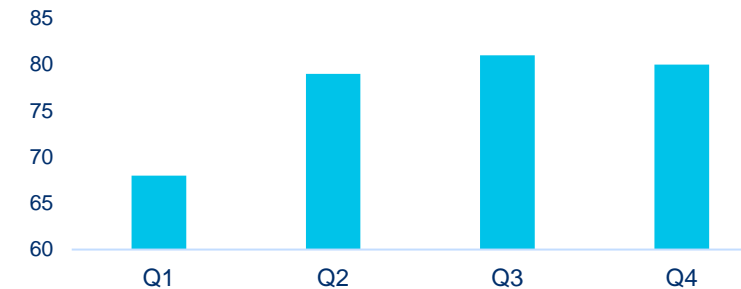


- **2.5x** Leverage Ratio
- **54%** Equity Ratio
- Repurchased preference shares from Akastor ASA for approximately USD 95 million.

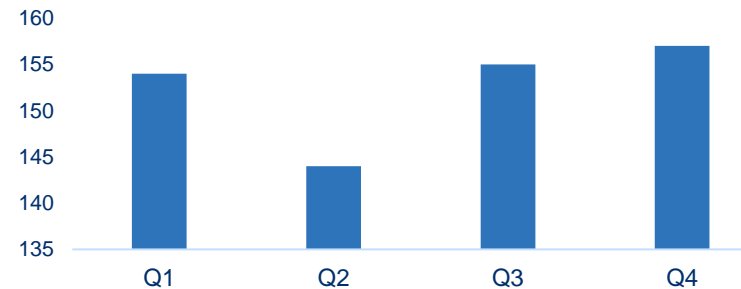
Financial Highlights

Maintained focus on financial discipline and cost control; facilitating strong foundations for return and growth.

- **USD 80m EBITDA** (USD 308m FY22)

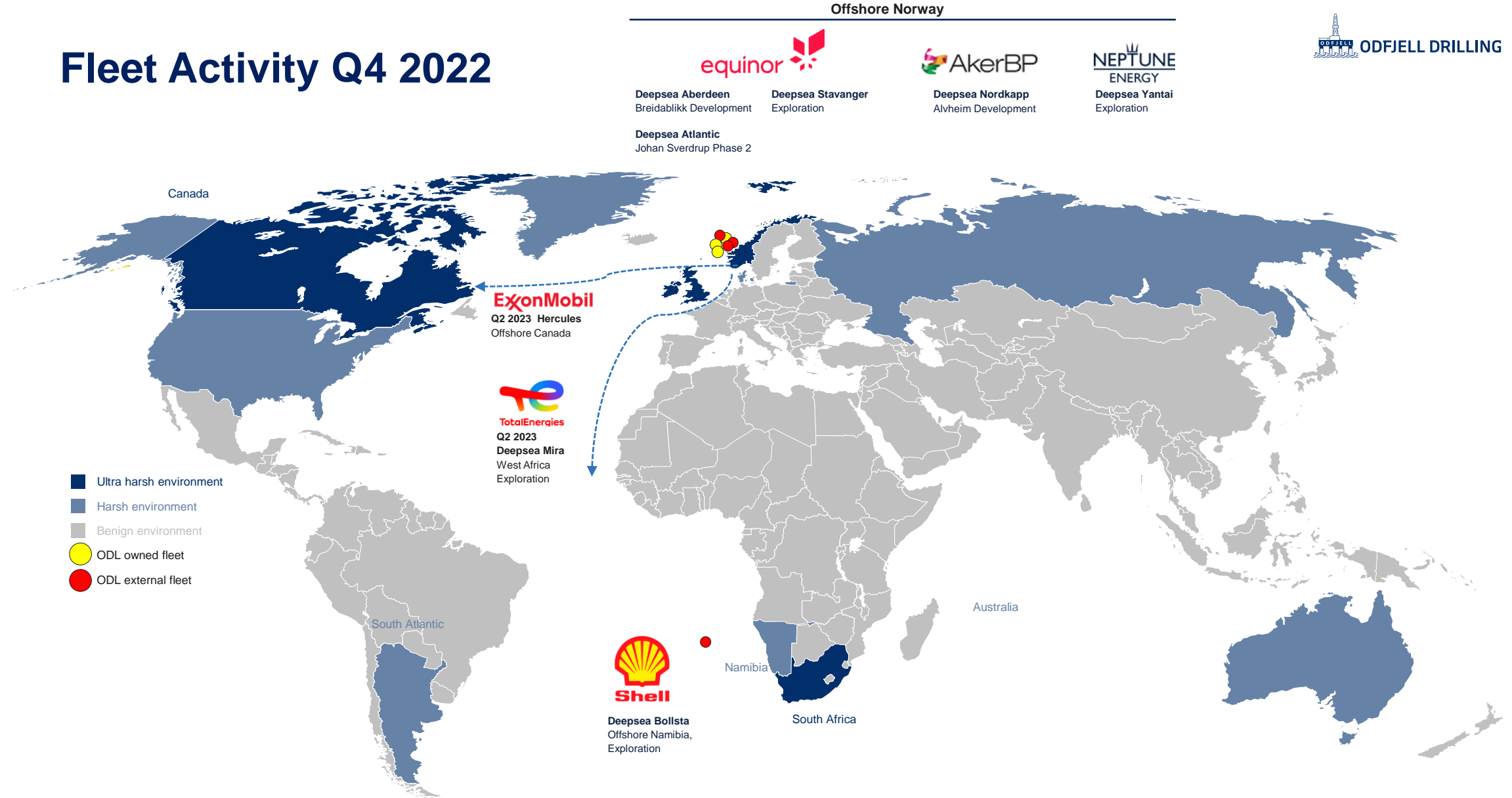


- **USD 157m Cash** and cash equivalents



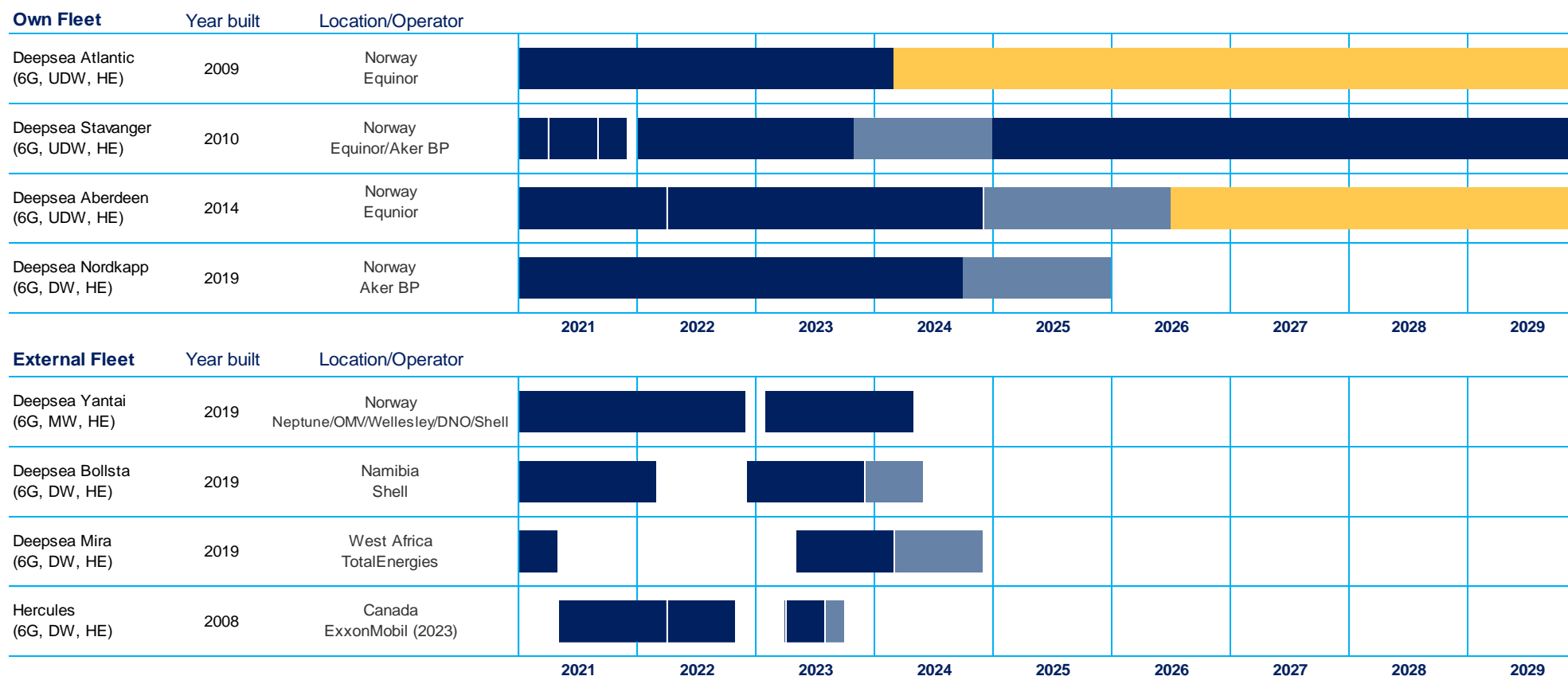
Commercial Update & Outlook

Fleet Activity Q4 2022



Strong Visibility for Cash Generation Across Fleet

Firm contracts USD 1.4 billion
 Priced options USD 0.5 billion
Total backlog USD 1.9 billion



 Contract
  Option
  Continued optionality under frame agreement

Definitions: 6G: Sixth generation, UDW: Ultra deepwater, HE: Harsh-environment

Contract backlog: Excluding bonus and fuel savings incentives pay. Revenue from External Fleet is not included in the backlog.

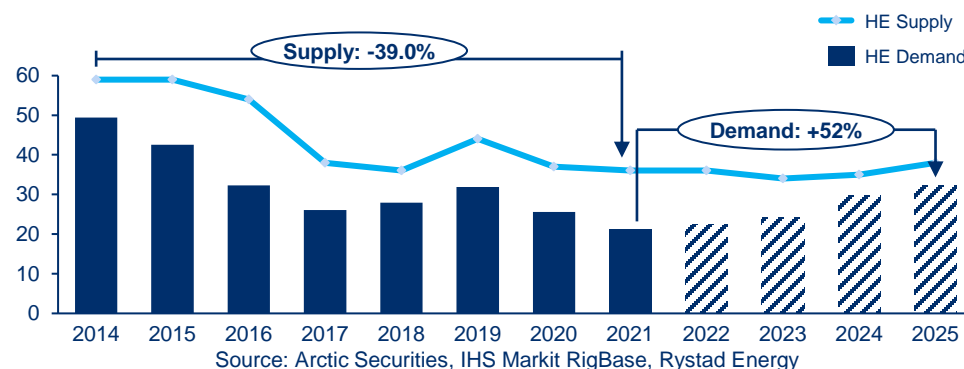


- All time high cash flow generation among E&Ps driving increased investments
- Covid-19 tax incentives in Norway resulting in multiple new PDO's submitted before year end
- UK's 33rd licensing round received as many applications as in 2019, a positive sign for further investment in the basin
- Focus on energy security driving new license rounds and activities
- Other regions starting to look towards harsh rigs for work due to a tightening drillship market, water depth flexibility and proven performance exemplified by Deepsea Bollsta and Deepsea Mira which have been contracted in West Africa

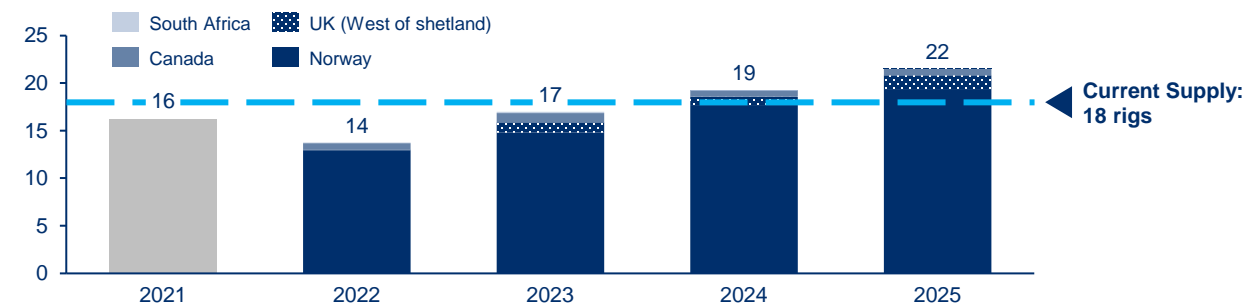
Market Outlook

Positive outlook for demand in our key areas of expertise.

Harsh Environment Demand Set to Tighten Towards 2025



Cumulative Core Region Demand for Tier 1 Harsh Environment rigs

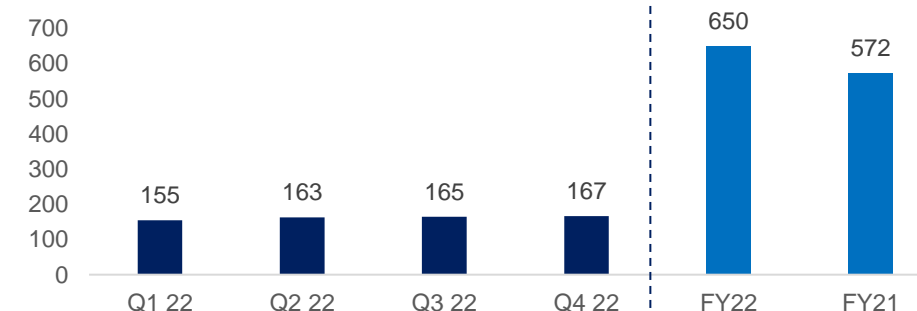


Financial Review

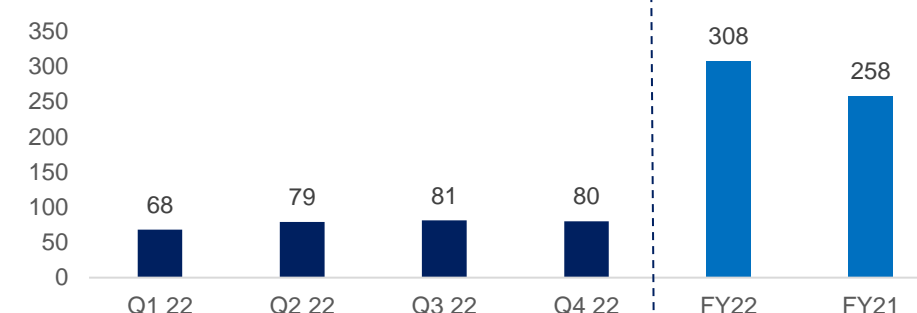
Condensed consolidated income statement

USD million	Q4 22	Q4 21	FY 22	FY 21
Continuing operations				
Operating revenue	167	143	650	572
Other gains and losses	0	7	0	7
Personnel expenses	(54)	(50)	(207)	(200)
Other operating expenses	(33)	(31)	(135)	(121)
EBITDA	80	71	308	258
Depreciation and amortisation	(44)	(38)	(172)	(151)
Operating profit (EBIT)	36	33	137	107
Net financial items	(5)	(9)	(48)	(41)
Profit before taxes	31	23	88	67
Income taxes	(2)	(2)	(5)	(6)
Net profit from continuing operations	29	21	83	61
Profit from discontinued operations	-	7	47	13
Profit (loss)	29	27	130	74
Profit (loss) attributable to:				
Non-controlling interests	-	-	-	(1)
Owners of the parent	29	28	123	74
Earnings per share (USD)				
Basic earnings per share	0.12	0.11	0.51	0.28
Diluted earnings per share	0.12	0.11	0.51	0.28
Earnings per share from continuing operations (USD)				
Basic earnings per share	0.12	0.08	0.32	0.22
Diluted earnings per share	0.12	0.08	0.32	0.22

Revenue



Ebitda



- 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 Odfjell Drilling.
- The comparative condensed statement of profit or loss for Odfjell Drilling has been re-presented to show the discontinued operations (Odfjell Technology) separately from continuing operations for all periods presented.

Robust balance sheet and sound cash position

USD million	31.12.2022	31.12.2021
Assets		
Property, plant and equipment	1,938	2,109
Intangible assets	3	29
Deferred tax asset	0	1
Other non-current assets	8	8
Total non-current assets	1,949	2,147
Trade receivables	91	155
Contract assets	9	10
Other current assets	13	31
Cash and cash equivalents	157	173
Total current assets	270	368
Total assets	2,219	2,515

USD million	31.12.2022	31.12.2021
Equity and liabilities		
Paid-in capital	370	565
Other equity	838	703
Total equity	1,209	1,268
Non-current interest-bearing borrowings	529	875
Non-current lease liabilities	42	38
Non-current contract liabilities	-	6
Other non-current liabilities	3	10
Total non-current liabilities	574	929
Current interest-bearing borrowings	314	161
Current lease liabilities	27	8
Contract liabilities	14	22
Trade payables	36	43
Other current liabilities	47	84
Total current liabilities	437	318
Total liabilities	1,011	1,247
Total equity and liabilities	2,219	2,515

- Net interest-bearing debt USD 685 million
- Leverage ratio 2.5
- Equity-ratio 54%
- USD 157 million in cash
- Tax ruling received from Norwegian Tax Authorities resulting in an upfront payment of USD 31m in Q1 2023 inclusive of taxes and interest for the financial years 2017 through to 2021. The Group estimates the amount will most likely be refunded and has therefore not recognised any liability per 31 December 2022.

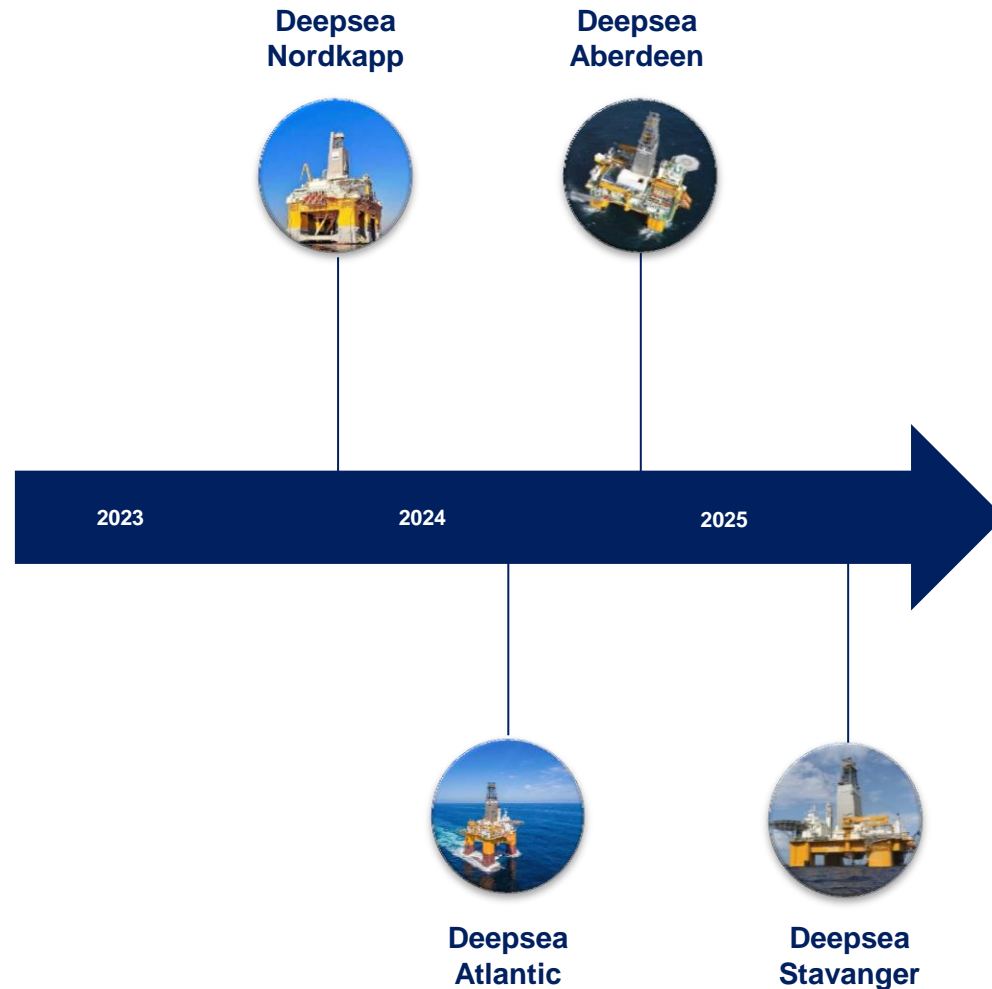
Strong cash flow from operations

USD million	Q4 22	Q4 21	FY 22	FY 21
Cash flows from operating activities:				
Profit/(loss) before tax from continuing operations	31	23	88	67
Profit before tax from discontinued operations	-	5	10	11
Adjustment for interest, provisions and non-cash elements	48	59	233	230
Changes in working capital	12	34	(9)	0
Cash generated from operations	91	121	322	308
Net interest paid	(12)	(12)	(45)	(50)
Net income tax paid	(1)	(0)	(2)	(2)
Net cash flow from operating activities	78	109	275	256
-of which from continuing operations	78	88	263	216
Cash flows from investing activities:				
Purchase of property, plant and equipment	(20)	(19)	(60)	(98)
Proceeds from sale of property, plant and equipment	0	0	1	1
Disposal of discontinued operations, net cash disposed of	-	-	(50)	-
Other investing activities	-	(0)	(2)	(1)
Net cash flow from investing activities	(20)	(19)	(111)	(97)
-of which from continuing operations	(20)	(7)	(52)	(71)
Cash flows from financing activities:				
Proceeds from borrowings	95	-	242	(2)
Repayment of borrowings	(78)	(47)	(317)	(176)
Repayment of lease liabilities	(5)	(1)	(19)	(6)
Payment acquisition of treasury preference shares	(76)	-	(75)	
Dividends paid to preference shareholders	-	(2)	(2)	(4)
Net cash flow from financing activities	(64)	(51)	(172)	(189)
-of which from continuing operations	(64)	(50)	(318)	(186)
Effects of exchange rate changes on cash and cash equivalents	8	(1)	(9)	(4)
Net increase (decrease) in cash and cash equivalents	2	38	(16)	(34)
Cash and cash equivalents at beginning of period	155	135	173	207
Cash and cash equivalents at period end	157	173	157	173

- **Q4 Capex:**
 - Approx. USD 7 million are related to client funded modification, which has previously been reported as Changes in working capital (no net cash effect)
 - Green Rig Capex of approx. USD 5 million
 - Maintenance and SPS capex approx. USD 8 million

Fleet Update

Special Periodic Survey & Fleet Capex



- SPS Program:
 - Average capex allocation of approximately USD 40million per unit
 - Off-hire time between 2 - 4 weeks
- Fleet Capex:
 - Annual maintenance capex of USD 3-5 million per rig
 - Potential additional contract specific capex
 - Value enhancing investments

How We Manage SPS Programs

SPS optimisation



Initiated rotation program for high critical equipment

- Reduced risk & cost
- Operational robustness



Early involvement of 3rd party suppliers

- Securing long lead items
- Commitments from vendors
- Yard capability and capacity



Evidence docking

- Minimise docking Scope of Work
- Reduced off-hire
- Reduced fuel consumption



Integrated execution plan with rig operations

- Offshore resources
- Planning with rig organisation
- Optimise windows in operation for SPS-activities



Competence of 3rd parties

- Competence assurance of key personnel
- Monitoring & support from SPS core team

Success criteria

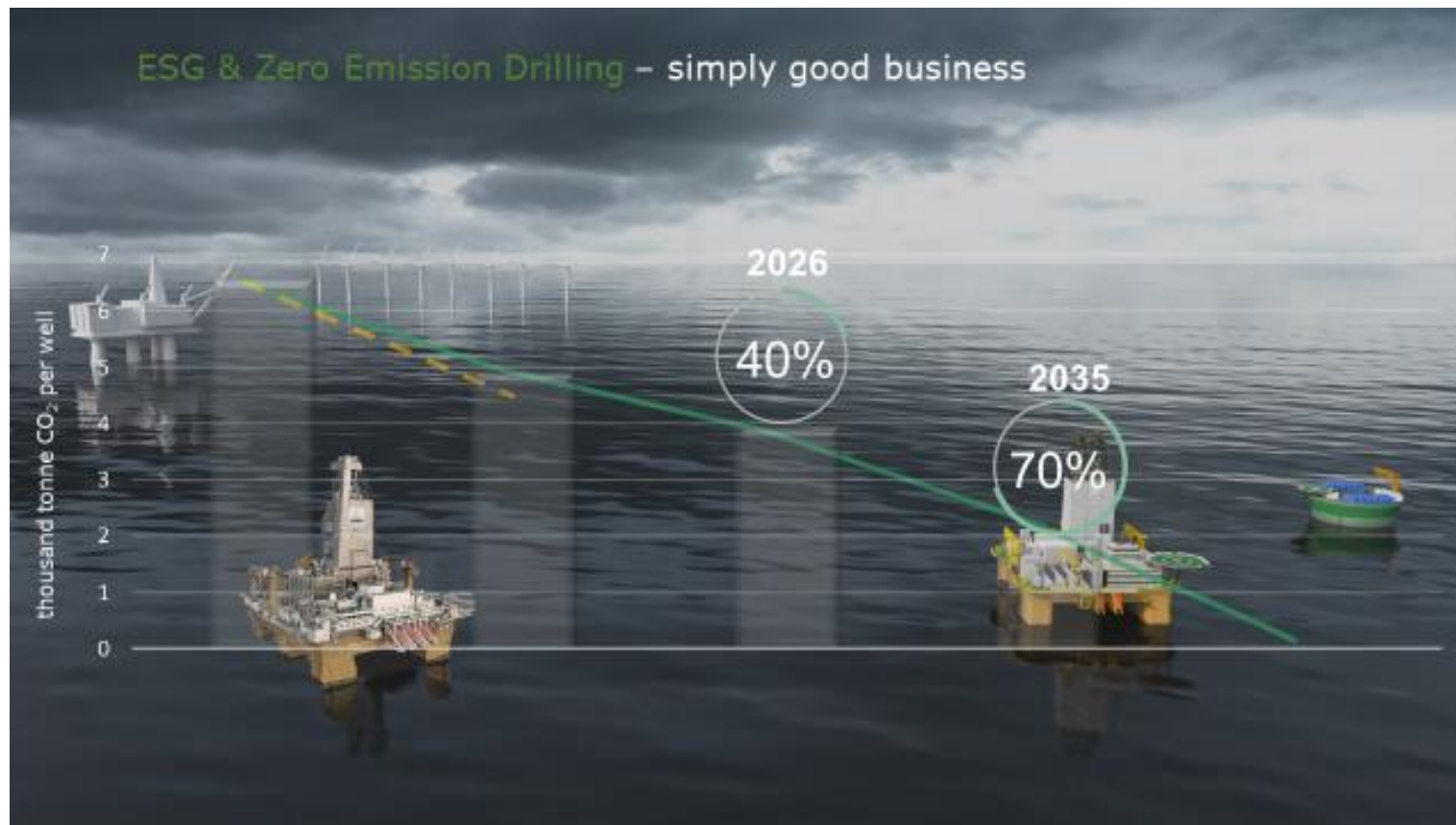
• Control scope of work

- Dedicated SPS organization
- Standardised SPS execution model
- Best practice work packages
- In-service inspection performing conditional assessment
- Early Scope freeze
- Yard scope reduced to absolute minimum
- Service level agreements with key Equipment Manufacturers & Yard

• Close cooperation with class

- Include class from planning phase
- Technical acceptance criteria aligned
- Utilize possibilities within valid class notation
- Explore possibilities with alternative class notations

Further Investment for the Energy Transition



Odfjell Drilling has incorporated a number of emissions reducing initiatives, including:

- **Deepsea Atlantic, Stavanger, Aberdeen & Nordkapp :**
 - Outfitted with Hybrid Battery Power that enables the rig to store excess energy during throughs to be used during peaks
 - Cooling and ventilation systems upgraded with “on-demand control system” reducing required energy consumption to a minimum at any give time.
- **Investment in Flywheel and battery technology:**
 - Engines are run more efficiently when energy peaks are shaved off, allowing for 10-15% emission reduction
- **Installation of a Direct Current (DC) grid system:**
 - The grid does not increase the risk of single failure while distributing power, which allows for a zero emission power source
- **Deepsea Nordkapp:**
 - Outfitted with an exhaust cleaning system (Selective Catalytic Reduction) that limits Nox-emissions

Emission reduction projects funded through Client contract performance Incentives & NOx fund

Summary

Summary

Q4 Highlights

- Continued focus on financial discipline, with several initiatives completed
- EBITDA of USD 80 million
- Strong operational performance across the business
- Backlog remains strong with our client number and contract variety increasing

Outlook

- Continually strengthening market with increasing day rates in both deepwater and harsh environment segments
- Solid contract backlog with further upside potential beyond 2024



Q&A



ODFJELL DRILLING

For further information, please contact:

James Crothers, Investor Relations Officer
ichu@odfjelldrilling.com

www.odfjelldrilling.com