



ODFJELL DRILLING

# Report for the 4<sup>th</sup> Quarter of 2022 and Preliminary Results for the Financial Year Ending 31 December 2022



# Q4 2022 SUMMARY

## Strong financial performance during the period

- Revenue of USD **167m** (USD 650m FY22)
- EBITDA of USD **80m** (USD 308m FY22)
- Cash of USD **157m**
- Backlog of USD **1.9bn**
- Equity ratio of **54%**
- Leverage ratio of **2.5x**

## New contracts and option agreements with existing clients as well as new major operators

- Signed new contract with ExxonMobil Canada Ltd ("Exxon") for drilling offshore Canada using Hercules, beginning in Q2 2023
- Signed new multi-country drilling contract with TotalEnergies ("Total") offshore Africa using the Deepsea Mira, beginning in Q2 2023
- Deepsea Atlantic to drill five additional wells on Johan Sverdrup Phase 2 development following exercise of priced options by Equinor Energy AS, ("Equinor") extending Deepsea Atlantic firm backlog into Q1 2024
- Two contract extensions with Neptune Energy Norge ("Neptune Energy") for use of the Deepsea Yantai, extending its backlog into Q2 2024. Post-period contract extensions for the Deepsea Yantai with Neptune Energy has increased this backlog into Q3 2024.

## Continued high financial utilisation of 97.9% (98.1% FY22) across own fleet, with expanded external fleet preparing for activity

- The Deepsea Aberdeen, Deepsea Atlantic and Deepsea Stavanger were on contract with Equinor and drilling in Norway on Breidablikk, Johan Sverdrup Phase 2 and various exploration projects respectively
- The Deepsea Nordkapp was on contract with Aker BP drilling in Norway on the Alvheim area development
- The Deepsea Bollsta was focused on preparations for its campaign in Namibia, where it has subsequently sailed to and has begun operations towards period end
- The Deepsea Yantai was stacked for part of the period before going on contract with Neptune Energy in Norway on the Calypso well
- Following agreement with SFL to provide marketing and management services for the Hercules, the Company took over formal management of the vessel in late December. It is now going through an SPS and mobilisation program before it begins exploration drilling in Canada with Exxon.

## Repurchase of preference shares from Akastor ASA for approximately USD 95 million

- Financed by way of a new direct loan of USD 95 million, repayable in monthly instalments, starting in 2025 and with a final maturity on 30 June 2026
- As per terms of the repurchase, approximately USD 75 million was settled in cash with a further USD 20 million settled pursuant to a seller's credit agreement with a maturity date 31 July 2024

# Key figures for the Group

All figures in USD million	Q4 22	Q4 21*	FY 22	FY 21*
Operating revenue	167	143	650	572
EBITDA	80	71	308	258
EBIT	36	33	137	107
Net profit (loss)	29	21	83	61
EBITDA margin	48%	49%	47%	45%
Total assets			2,219	2,515
Net interest bearing debt			685	863
Equity			1,208	1,268
Equity ratio			54%	50%

\* Profit or loss figures for continuing operations

## Segments

### Own fleet

- Operating revenue of USD 139 million compared to USD 129 million in Q4 2021.
- EBITDA of USD 77 million compared to USD 65 million in Q4 2021.
- EBITDA margin of 55% compared to an EBITDA margin of 50% in Q4 2021.

### External fleet

- Operating revenue of USD 26 million compared to USD 14 million in Q4 2021.
- EBITDA of USD 4 million compared to USD 2 million in Q4 2021.
- EBITDA margin of 16% compared to an EBITDA margin of 15% in Q4 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.

## New Options and Contracts Agreed

### Own Fleet

On the 28<sup>th</sup> of November, Equinor exercised priced options for the Deepsea Atlantic to drill five additional wells on the Johan Sverdrup Phase 2 development under the contract entered into by the parties on the 23<sup>rd</sup> of November 2020. The five wells are anticipated to take 190 days with an approximate value of USD 64M. This extends the Deepsea Atlantic's firm backlog into Q1 2024.

### External Fleet

On the 18<sup>th</sup> of November, ExxonMobil and SFL Corporation signed a contract for use of the Odfjell Drilling managed Hercules semi-submersible to drill offshore Canada in Q2 2023. The contract has a firm duration of approximately 135 days with an option to extend for a further 60 days. This contract is the first time Odfjell Drilling will operate in the key harsh environment of Canada. Also during the period, the Company took over formal management of the Hercules, with the rig

returning to Norway before it began a scheduled special periodic survey before the planned mobilisation to Canada.

On the 11<sup>th</sup> of October and 12<sup>th</sup> of December, the Company agreed to extend the contract with Neptune Energy Norge, for use of the Deepsea Yantai in Norway. This work subsequently extended the backlog for the Deepsea Yantai into Q2 2024. Post-period contract extensions for the Deepsea Yantai with Neptune Energy has increased this backlog into Q3 2024.

On the 14<sup>th</sup> of December, the Company agreed with TotalEnergies a multi-country drilling contract for the Deepsea Mira outside of the Norwegian Continental Shelf. Beginning in the middle of Q2 2023, this will see the Deepsea Mira beginning a firm contract for 300 days plus two options of 180 days and 90 days respectively in West Africa. This is the first contract agreed for the Mira since the Company took over management and marketing for the rig.



# 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 Q4 2022 - Continuing operations

Operating revenue for Q4 2022 was USD 167 million (USD 143 million), an increase of USD 24 million, due to increased activity in both segments.

EBITDA in Q4 2022 was USD 80 million (USD 71 million), an increase of USD

9 million. The EBITDA margin in Q4 2022 was 48% (49%).

Depreciation and amortisation cost in Q4 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 Q4 2022 amounted to USD 5 million (USD 9 million), a decrease of USD 4 million. A positive change in net currency gains and positive fair value changes were partly offset by higher interest expenses.

Net profit from continuing operations in Q4 2022 was USD 29 million (USD 21 million).

### Cash flow Q4 2022 - Continuing operations

Net cash flow from continuing operating activities in Q4 2022 was USD 78 million

(USD 88 million). The Group paid USD 12 million in net interest.

Net cash outflow from investing activities in Q4 2022 was USD 20 million (USD 7 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities in Q4 2022 was USD 64 million (USD 50 million). The Group paid USD 83 million in instalments on credit facilities and leases, including USD 32 million in repayment of a single lender in the Odfjell Invest senior secured facility. A new loan of USD 95 was drawn and USD 75 million was settled in cash with a further USD 20 million settled with a seller credit regarding the repurchase of the preference shares.

### Balance sheet

Total assets as at 31 December 2022 amounted to USD 2,219 million (USD 2,515 million as at 31 December 2021), a

decrease of USD 296 million, mainly related to discontinued operations.

Total equity as at 31 December 2022 amounted to USD 1,208 million (USD 1,268 million as at 31 December 2021), a decrease of USD 60 million.

Net interest bearing debt as at 31 December 2022 amounted to USD 685 million (USD 863 million as at 31 December 2021), a decrease of USD 178 million, due to paid instalments and the net interest bearing debt within the discontinued operations.

At 31 December 2022, cash amounted to USD 157 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.

## Segments

### Own Fleet

All figures in USD million	Q4 22	Q4 21	FY 22	FY 21
Operating revenue	139	129	567	519
EBITDA	77	65	304	253
EBIT	34	26	137	104
EBITDA margin	55%	50%	54%	49%

(Comparable figures for last comparable period in brackets)

#### Q4 2022

Operating revenue for the Own Fleet segment in Q4 2022 was USD 139 million (USD 129 million). The main driver for the increase is a positive variance for Deepsea Stavanger of USD 23 million due to a higher daily rate in the current Equinor contract compared with Aker BP in 2021 and idle time in 2021 from 8 November until 31 December 2021. The positive variance is offset by a negative variance for Deepsea Aberdeen of USD 7 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 6 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.

EBITDA for the Own Fleet segment in Q4 2022 was USD 77 million (USD 65 million), with the EBITDA for 2021 including the

USD 5 million in dividend from the Norwegian War risk insurance.

#### FY 2022

Operating revenue for the Own Fleet in FY 2022 was USD 567 million (USD 519 million). The main driver for the increase is a positive variance of USD 69 million for Deepsea Stavanger mainly due to decreased revenue during Q1 2021 as the rig was in transit and between contracts during Q1 and Q4 of 2021. 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 15 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 13 million, due to lower daily rate from Aker BP after the market adjustment set in Q1 2021 took effect in June 2022.

EBITDA for the Own Fleet in FY 2022 was USD 304 million (USD 253 million).

#### Own Fleet - Financial utilisation

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

	Q4 22	Q4 21	FY 22	FY 21
Deepsea Stavanger	96.0 %	98.5 %	96.9 %	99.0 %
Deepsea Atlantic	98.2 %	98.8 %	97.7 %	95.5 %
Deepsea Aberdeen	98.3 %	99.7 %	98.7 %	98.8 %
Deepsea Nordkapp	99.1 %	98.8 %	99.2 %	98.9 %

- Deepsea Stavanger, Deepsea Atlantic and Deepsea Aberdeen have been operating for Equinor on the NCS during Q4 2022.
- Deepsea Nordkapp has been operating for Aker BP on the NCS during Q4 2022.

## External Fleet

All figures in USD million	Q4 22	Q4 21	FY 22	FY 21
Operating revenue	26	14	78	50
EBITDA	4	2	11	5
EBIT	4	2	11	5
EBITDA margin	16%	15%	14%	10%

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

### Q4 2022

Operating revenue for the External Fleet in Q4 2022 was USD 26 million (USD 14 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 the commercial

management for Hercules started during Q2 2022. The full management scope of Hercules was transferred to Odfjell Drilling during December 2022.

EBITDA for the External Fleet in Q4 2022 was USD 4 million (USD 2 million). Deepsea Yantai has been working for Neptune in November and half of December, in between idle time in October

and second half of December. Deepsea Bollsta started operations in Namibia for Shell during Q4. Deepsea Mira is quayside at Hanøytangen undergoing reactivation for the Total multi-country contract in West Africa. Hercules is also at Hanøytangen undergoing SPS and reactivation for the Exxon contract in Canada.

The impact on the EBITDA level will increase as the rigs start operations with a corresponding lift in the management fees.

### FY 2022

EBITDA for the External Fleet in FY 2022 was USD 11 million (USD 5 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 Q4 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 results of the pilot are being considered and will potentially lay the foundation for broad implementation of biofuel use 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 Human Rights Policy and a 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

Following high energy prices through much of 2022 and increased focus on energy security we continue to see significant demand for our services. This is compounded by the continued lack of supply and interest in new builds as well as the reduction of units generally across the sector.

This is particularly relevant on the Norwegian Continental Shelf (NCS), where the number of high-spec units is reducing in the basin as rigs are moving to

contracts across the globe. From 2024 and onwards, we see increased activity on NCS, as new fields are commencing development.

During the period, we noted the significant interest in the most recent UK Continental Shelf (UKCS) offshore licensing round. This increased activity is expected to tie up drilling units which are already in the UKCS with additional supply likely required to come from outside of the basin, including high-spec rigs to operate

West of Shetland. Odfjell Drilling has a balanced portfolio of short and long-term contracts, with several of the units being positively exposed to the improving drilling market. Currently, we are involved in tenders in the North Sea and expect that new work will be awarded at higher day rates than today, given the uptick in activity and increase in day rates we see in the North Sea from 2024.

Outside of the North Sea, we continue to see increased activity which has already

resulted in new contracts for the Odfjell Drilling managed Deepsea Bollsta, Deepsea Mira and Hercules rigs for projects offshore Africa and Canada respectively. With renewed focus on developing hydrocarbon basins such as Namibia we are optimistic about increased demand for high-spec rigs which are capable of operations in all drilling environments such as those within our fleet.

# 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. In order to avoid operational downtime with potential impact on the Group's result, and to secure long term order backlog, Odfjell Drilling has invested significant time and efforts to maintain a safe, predictable and profitable performance.

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. The general market for rig financing remains challenging and future funding sources may be somewhat restricted. However, the upswing in the oil and gas market, with a focus to secure stable energy supply, has impacted the

financial markets positively with better access to capital. Odfjell Drilling has strong backlog, a robust balance sheet with low leverage, and a long standing relationship with its key lenders.

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)	0.7	1.1
Total recordable incident frequency (as per 1 million working hours)	4.8	1.4
Sick leave (percentage)	5.1	4.9
Dropped objects frequency (as per 1 million working hours)	4.8	1.4

\* Continuing operations only

London, United Kingdom

16 February 2023

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	Q4 22	Q4 21	FY 22	FY 21
<b>CONTINUING OPERATIONS</b>					
Operating revenue	3,4	166.8	143.4	649.5	572.1
Other gains and losses		0.0	7.4	0.0	7.3
Personnel expenses		(54.0)	(49.7)	(206.5)	(199.6)
Other operating expenses		(32.9)	(30.5)	(135.0)	(121.3)
<b>EBITDA</b>		<b>79.9</b>	<b>70.6</b>	<b>308.0</b>	<b>258.4</b>
Depreciation and amortisation	6,7	(44.0)	(38.1)	(171.5)	(151.4)
<b>Operating profit (EBIT)</b>		<b>35.9</b>	<b>32.6</b>	<b>136.5</b>	<b>107.1</b>
Net financial items	5	(5.1)	(9.2)	(48.3)	(40.6)
<b>Profit before taxes</b>		<b>30.9</b>	<b>23.4</b>	<b>88.3</b>	<b>66.5</b>
Income taxes		(2.1)	(2.4)	(5.4)	(5.5)
<b>Net profit from continuing operations</b>		<b>28.8</b>	<b>21.0</b>	<b>82.9</b>	<b>60.9</b>
Profit from discontinued operations	2	-	6.6	46.7	12.9
<b>Profit (loss)</b>		<b>28.8</b>	<b>27.6</b>	<b>129.6</b>	<b>73.9</b>
<b>Profit (loss) attributable to:</b>					
Non-controlling interests		-	-	-	(0.5)
Owners of the parent		28.8	27.6	129.6	74.4
<b>EARNINGS PER SHARE (USD)</b>					
Basic earnings per share	15	0.12	0.11	0.51	0.28
Diluted earnings per share	15	0.12	0.11	0.51	0.28
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS (USD)</b>					
Basic earnings per share	15	0.12	0.08	0.32	0.22
Diluted earnings per share	15	0.12	0.08	0.32	0.22

## Condensed Consolidated Statement of Comprehensive Income

USD million	Q4 22	Q4 21	FY 22	FY 21
<b>PROFIT (LOSS)</b>	<b>28.8</b>	<b>27.6</b>	<b>129.6</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)	(0.0)	(0.2)	(0.0)	(0.3)
<b>Items that are or may be reclassified to profit or loss:</b>				
Cash flow hedges	(2.0)	3.0	10.0	3.9
Currency translation differences	6.6	(0.6)	(8.9)	(3.8)
Reclassification of foreign currency translation reserve	-	-	27.0	-
<b>Other comprehensive income, net of tax</b>	<b>4.6</b>	<b>2.2</b>	<b>28.0</b>	<b>(0.3)</b>
<b>Total comprehensive income</b>	<b>33.3</b>	<b>29.8</b>	<b>157.6</b>	<b>73.6</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	-	-	-	(0.5)
Owners of the parent	33.3	29.8	157.6	74.1



## Condensed Consolidated Statement of Financial Position

USD million	Note	31.12.2022	31.12.2021
<b>ASSETS</b>			
Property, plant and equipment	6	1,937.9	2,108.9
Intangible assets	7	3.4	28.5
Deferred tax asset		0.4	1.3
Other non-current assets	10	7.5	8.2
<b>Total non-current assets</b>		<b>1,949.2</b>	<b>2,146.8</b>
Trade receivables		91.0	154.5
Contract assets		8.6	10.2
Other current assets	10	13.3	30.5
Cash and cash equivalents		157.2	173.0
<b>Total current assets</b>		<b>270.1</b>	<b>368.3</b>
<b>TOTAL ASSETS</b>		<b>2,219.3</b>	<b>2,515.2</b>

USD million	Note	31.12.2022	31.12.2021
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	13	370.2	565.0
Other equity		838.3	703.2
<b>Total equity</b>		<b>1,208.5</b>	<b>1,268.2</b>
Non-current interest-bearing borrowings	8	529.0	875.4
Non-current lease liabilities	9	41.7	38.3
Non-current contract liabilities		-	5.6
Other non-current liabilities	10	3.4	10.0
<b>Total non-current liabilities</b>		<b>574.1</b>	<b>929.2</b>
Current interest-bearing borrowings	8	313.5	161.1
Current lease liabilities	9	26.5	7.8
Contract liabilities		13.7	21.8
Trade payables		35.8	43.2
Other current liabilities	10	47.2	83.9
<b>Total current liabilities</b>		<b>436.7</b>	<b>317.8</b>
<b>Total liabilities</b>		<b>1,010.8</b>	<b>1,247.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,219.3</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		-	74.4	74.4	65.8	8.6	(0.5)	73.9
Other comprehensive income for the period		-	(0.3)	(0.3)	(0.3)	-	0.0	(0.3)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>74.1</b>	<b>74.1</b>	<b>65.5</b>	<b>8.6</b>	<b>(0.5)</b>	<b>73.6</b>
Dividend to preference shareholders		-	(4.3)	(4.3)	-	(4.3)	-	(4.3)
Loss of control of a subsidiary		-	-	-	-	-	(0.1)	(0.1)
Cost of share-based option plan		-	0.5	0.5	0.5	-	-	0.5
Transactions with owners		-	(3.8)	(3.8)	0.5	(4.3)	(0.1)	(3.9)
<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		-	129.6	129.6	121.3	8.3	-	129.6
Other comprehensive income for the period		-	28.0	28.0	28.0	-	-	28.0
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>157.6</b>	<b>157.6</b>	<b>149.4</b>	<b>8.3</b>	<b>-</b>	<b>157.6</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)
Acquisition of treasury preference shares		(75.0)	(20.2)	(95.2)	0.4	(95.6)	-	(95.2)
Cost of share-based option plan		-	0.4	0.4	0.4	-	-	0.4
Settlement of share-based option plan		-	(0.5)	(0.5)	(0.5)	-	-	(0.5)
<b>Transactions with owners</b>		<b>(194.8)</b>	<b>(22.5)</b>	<b>(217.3)</b>	<b>(119.5)</b>	<b>(97.8)</b>	<b>-</b>	<b>(217.3)</b>
<b>BALANCE AT 31 DECEMBER 2022</b>		<b>370.2</b>	<b>838.3</b>	<b>1,208.5</b>	<b>1,208.5</b>	<b>-</b>	<b>-</b>	<b>1,208.5</b>

## Condensed Consolidated Statement of Cash Flows

USD million	Note	Q4 22	Q4 21	FY 22	FY 21
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Profit/(loss) before tax from continuing operations		30.9	23.4	88.3	66.5
Profit before tax from discontinued operations	2	-	5.2	10.3	11.2
Adjustment for interest, provisions and non-cash elements		47.5	59.0	232.7	230.2
Changes in working capital		12.2	33.5	(8.9)	0.2
<b>Cash generated from operations</b>		<b>90.6</b>	<b>121.0</b>	<b>322.4</b>	<b>308.1</b>
Net interest paid		(12.2)	(12.3)	(45.0)	(49.9)
Net income tax paid		(0.8)	(0.1)	(2.1)	(1.7)
<b>Net cash flow from operating activities</b>		<b>77.6</b>	<b>108.7</b>	<b>275.2</b>	<b>256.5</b>
-of which from continuing operations		77.6	87.8	263.0	216.3
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of property, plant and equipment	6,7	(20.2)	(18.7)	(60.2)	(97.8)
Proceeds from sale of property, plant and equipment		0.1	0.1	0.9	1.0
Disposal of discontinued operations, net cash disposed of	2	-	-	(49.7)	-
Other investing activities		-	(0.1)	(2.0)	(0.5)
<b>Net cash flow from investing activities</b>		<b>(20.1)</b>	<b>(18.7)</b>	<b>(111.0)</b>	<b>(97.4)</b>
-of which from continuing operations		(20.1)	(7.3)	(52.0)	(71.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from borrowings	8	95.0	-	241.5	(2.1)
Repayment of borrowings	8	(77.9)	(47.1)	(317.1)	(176.2)
Repayment of lease liabilities	9	(5.4)	(1.4)	(18.6)	(6.1)
Payment acquisition of treasury preference shares		(75.2)	-	(75.2)	
Dividends paid to preference shareholders		-	(2.2)	(2.2)	(4.3)
<b>Net cash flow from financing activities</b>		<b>(63.5)</b>	<b>(50.6)</b>	<b>(171.6)</b>	<b>(188.8)</b>
-of which from continuing operations		(63.5)	(50.0)	(317.5)	(186.3)
Effects of exchange rate changes on cash and cash equivalents		7.9	(1.4)	(8.5)	(4.2)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1.9</b>	<b>38.0</b>	<b>(15.9)</b>	<b>(33.9)</b>
Cash and cash equivalents at beginning of period		155.3	135.0	173.0	206.9
<b>Cash and cash equivalents at period end</b>		<b>157.2</b>	<b>173.0</b>	<b>157.2</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 15 February 2023 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the twelve months period ended 31 December 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, 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.

Following 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	Q4 22	Q4 21	FY 22	FY 21
Operating revenue	-	95.0	94.4	342.9
Elimination of inter-segment revenue	-	(16.5)	(17.4)	(51.2)
<b>External revenue</b>	<b>-</b>	<b>78.5</b>	<b>77.0</b>	<b>291.7</b>
Other gains and losses	-	0.1	0.6	0.7
Personnel expenses	-	(58.6)	(60.5)	(220.6)
Other operating expenses	-	(21.7)	(21.2)	(77.9)
Elimination of expenses related to inter-segment sales	-	16.5	17.4	51.2
<b>EBITDA</b>	<b>-</b>	<b>14.7</b>	<b>13.3</b>	<b>45.1</b>
Depreciation and amortisation	-	(8.3)	(2.4)	(30.6)
<b>Operating profit (EBIT)</b>	<b>-</b>	<b>6.4</b>	<b>10.9</b>	<b>14.5</b>
Share of profit (loss) from joint ventures and associates	-	(0.3)	(0.4)	(0.5)
Net financial items	-	(0.6)	(0.2)	(2.0)
Elimination of inter-segment financial income	-	(0.3)	(0.1)	(0.8)
<b>Profit before tax</b>	<b>-</b>	<b>5.2</b>	<b>10.3</b>	<b>11.2</b>
Income tax	-	1.5	0.0	1.7
<b>Results of discontinued operations, net of tax</b>	<b>-</b>	<b>6.6</b>	<b>10.3</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>-</b>	<b>6.6</b>	<b>46.7</b>	<b>12.9</b>
<b>Earnings per share from discontinued operations (USD)</b>				
Basic earnings per share	-	0.03	0.20	0.06
Diluted earnings per share	-	0.03	0.20	0.06

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

USD million	Q4 22	Q4 21	FY 22	FY 21
Net cash generated from operating activities	-	20.9	12.2	40.2
Net cash used in investing activities	-	(11.3)	(59.0)	(26.4)
Net cash generated from / (used in) financing activities	-	(0.6)	145.9	(2.5)
<b>Net cash flows</b>	<b>-</b>	<b>9.0</b>	<b>99.1</b>	<b>11.3</b>

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

USD million	FY 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	
	Q4 22	Q4 21	Q4 22	Q4 21	Q4 22	Q4 21	Q4 22	Q4 21
External segment revenue	138.9	129.1	26.1	13.7	1.8	0.6	166.8	143.4
Inter segment revenue	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>138.9</b>	<b>129.1</b>	<b>26.1</b>	<b>13.7</b>	<b>1.8</b>	<b>0.6</b>	<b>166.8</b>	<b>143.4</b>
<b>EBITDA</b>	<b>76.7</b>	<b>64.9</b>	<b>4.1</b>	<b>2.1</b>	<b>(0.8)</b>	<b>3.6</b>	<b>79.9</b>	<b>70.6</b>
Depreciation and amortisation	(43.0)	(39.3)	-	-	(1.0)	1.2	(44.0)	(38.1)
<b>EBIT</b>	<b>33.7</b>	<b>25.7</b>	<b>4.1</b>	<b>2.1</b>	<b>(1.8)</b>	<b>4.8</b>	<b>35.9</b>	<b>32.6</b>
Net financial items							(5.1)	(9.2)
<b>PROFIT BEFORE TAX - CONSOLIDATED GROUP</b>							<b>30.9</b>	<b>23.4</b>

USD million	Own Fleet		External Fleet		Corporate / other		Consolidated	
	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21	FY 22	FY 21
External segment revenue	567.3	519.4	78.0	50.0	4.3	2.7	649.5	572.1
Inter segment revenue	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>567.3</b>	<b>519.4</b>	<b>78.0</b>	<b>50.0</b>	<b>4.3</b>	<b>2.7</b>	<b>649.5</b>	<b>572.1</b>
<b>EBITDA</b>	<b>303.9</b>	<b>253.4</b>	<b>11.0</b>	<b>5.2</b>	<b>(7.0)</b>	<b>(0.1)</b>	<b>308.0</b>	<b>258.4</b>
Depreciation and amortisation	(167.1)	(149.0)	-	-	(4.4)	(2.4)	(171.5)	(151.4)
<b>EBIT</b>	<b>136.9</b>	<b>104.4</b>	<b>11.0</b>	<b>5.2</b>	<b>(11.3)</b>	<b>(2.5)</b>	<b>136.5</b>	<b>107.1</b>
Net financial items							(48.3)	(40.6)
<b>PROFIT BEFORE TAX - CONSOLIDATED GROUP</b>							<b>88.3</b>	<b>66.5</b>

## Note 4 Revenue

USD million	Q4 22	Q4 21	FY 22	FY 21
Revenue from contracts with customers	96.4	93.5	393.7	390.7
Lease component in Own Fleet contracts	70.2	49.7	255.2	180.6
Other operating revenue	0.2	0.2	0.6	0.8
<b>Operating revenue - Continuing operations</b>	<b>166.8</b>	<b>143.4</b>	<b>649.5</b>	<b>572.1</b>

### Disaggregation of revenue - Primary geographical markets

All revenue, except for USD 3.1 million related to External Fleet operating in Namibia in Q4 2022, for all segments and consolidated figures, for all periods covered in these financial statements are allocated to the geographical market of Norway.

## Net financial items

USD million	Note	Q4 22	Q4 21	FY 22	FY 21
Interest income		1.7	0.0	2.8	0.2
Interest expense lease liabilities	9	(1.2)	(0.5)	(4.2)	(2.0)
Other interest expenses		(13.7)	(11.0)	(45.0)	(47.4)
Other borrowing expenses *		(1.6)	(1.6)	(6.3)	(3.3)
Change in fair value of derivatives **		6.1	2.9	9.2	8.7
Net currency gain / (loss)		3.7	1.2	(3.6)	3.1
Other financial items		(0.1)	(0.2)	(1.2)	0.0
<b>Net financial items continuing operations</b>		<b>(5.1)</b>	<b>(9.2)</b>	<b>(48.3)</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 13.7 million.

## 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		33.9	13.9	7.3	1.8	42.0	98.8
Additions due to previously eliminated inter-segment leases		-	-	-	-	13.9	13.9
Disposals		-	-	(0.3)	(0.0)	-	(0.3)
Disposal through distribution of operations to shareholders	2	-	-	(90.8)	(3.2)	(12.0)	(106.0)
Depreciation from continuing operations		(112.6)	(39.0)	-	(0.2)	(19.5)	(171.3)
Depreciation from discontinued operations	2	-	-	(2.0)	(0.1)	(0.2)	(2.3)
Currency translation differences		-	-	0.0	0.1	(3.8)	(3.7)
<b>Net book amount as at 31 December 2022</b>		<b>1,795.3</b>	<b>77.1</b>	<b>-</b>	<b>1.7</b>	<b>63.8</b>	<b>1,937.9</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 31 December 2022.

## Note 5 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		-	(0.2)	(0.2)
Amortisation from discontinued operations	2	-	(0.1)	(0.1)
Currency translation differences		(0.0)	0.1	0.1
<b>Closing net book amount as at 31 December 2022</b>		<b>3.0</b>	<b>0.4</b>	<b>3.4</b>

### Impairment test

All goodwill is allocated to the External Fleet segment.

The recoverable amount of the CGUs has been determined based on value-in-use

calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The prognosis for the EBITDA margin in 2023 and the

following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The

discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

	External Fleet
EBITDA margin in prognosis period	17% - 21%
Growth rate year 6 and forward	0.0%
Weighted Average Cost of Capital, pre-tax	10%

Impairment tests performed for goodwill for respective CGUs do not indicate any impairment as per 31.12.2022.

### Sensitivity analysis for goodwill impairment test as at 31.12.2022

The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively. None of the scenarios indicated any impairment write-down of goodwill as at 31 December 2022.

## Note 6 Interest-bearing borrowings

USD million	31.12.2022	31.12.2021
Non-current	529.0	875.4
Current	313.5	161.1
<b>Total</b>	<b>842.5</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 regarding Q1 22 changes.
- 29 November 2022, the Group repurchased the preference shares. The repurchase has been fully financed by way of a new direct loan of USD 95 million, repayable in monthly

instalments starting in 2025 and with final maturity on 30 June 2026.

- As per the terms of the repurchase of the preference shares, approximately USD 75 million has been settled in cash, with a further USD 20 million to be settled pursuant to a seller's credit agreement with a maturity date 31 July 2024.

### Available drawing facilities

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

### Covenants

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



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

USD million	Note	31.12.2022			31.12.2021		
		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	219.2	25.0	244.2	-	-	-
Paid transaction costs related to new borrowings	2	(2.2)	(0.6)	(2.7)	(2.1)	-	(2.1)
Repayment bank loan		(125.0)	(192.1)	(317.1)	-	(176.2)	(176.2)
<b>NON-CASH FLOWS:</b>				-			-
Disposal through distribution of operations to shareholders	2	(125.3)	(25.6)	(150.9)	-	-	-
New seller's credit		20.0	-	20.0	-	-	-
Reclassified from / (to) current borrowings		(342.6)	342.6	-	179.2	(179.2)	-
Change in transaction cost, unamortised		6.3	0.0	6.3	2.5	0.8	3.3
Change in accrued interest cost		-	3.0	3.0	-	(0.1)	(0.1)
Currency translation differences		3.2	(0.0)	3.2	-	-	-
<b>Carrying amount as at end of period</b>		<b>529.0</b>	<b>313.5</b>	<b>842.5</b>	<b>875.4</b>	<b>161.1</b>	<b>1,036.4</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	31.12.2022	31.12.2021
Maturity within 3 months	19.6	26.1
Maturity between 3 and 6 months	45.6	52.1
Maturity between 6 and 9 months	19.6	26.1
Maturity between 9 months and 1 year	225.2	52.1
Maturity between 1 and 2 years	437.3	445.8
Maturity between 2 and 3 years	95.0	440.9
Maturity between 3 and 4 years	-	-
Maturity between 4 and 5 years	-	-
Maturity beyond 5 years	-	-
<b>Total contractual amounts</b>	<b>842.2</b>	<b>1,042.9</b>

## Note 7 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	31.12.2022	31.12.2021
Non-current	41.7	38.3
Current	26.5	7.8
<b>Total</b>	<b>68.2</b>	<b>46.1</b>

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

USD million		31.12.2022			31.12.2021		
	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		-	(18.6)	(18.6)	-	(6.1)	(6.1)
Payments for the interest portion of the lease liability		-	(4.3)	(4.3)	-	(2.5)	(2.5)
<b>NON-CASH FLOWS:</b>							
New lease liabilities recognised in the year		42.1	-	42.1	9.1	-	9.1
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		4.3	-	4.3	2.6	-	2.6
Reclassified to current portion of lease liabilities		(45.4)	45.4	-	(9.1)	9.1	-
Currency exchange differences		(2.1)	(1.1)	(3.2)	(1.3)	(0.3)	(1.5)
<b>Carrying amount as at end of period</b>		<b>41.7</b>	<b>26.5</b>	<b>68.2</b>	<b>38.3</b>	<b>7.8</b>	<b>46.1</b>

## Note 8 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 31 December 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	31.12.2022	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	-	5.0
Derivatives designated as hedging instruments			
- Interest rate swaps - Other non-current assets	2	7.5	-
- Foreign exchange forward contracts - Other current assets	2	2.4	0.6
<b>OTHER FINANCIAL ASSETS</b>			
Other non-current receivables		-	2.7
Trade and other current receivables		100.6	169.1
Cash and cash equivalents		157.2	173.0
<b>Total financial assets</b>		<b>267.7</b>	<b>350.4</b>

USD million			
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
Derivatives designated as hedging instruments			
- Interest rate swaps - Other non-current liabilities	2	-	3.0
Warrant liabilities - Other non-current liabilities	3	2.8	1.0
<b>OTHER FINANCIAL LIABILITIES</b>			
Non-current interest-bearing borrowings		529.0	875.4
Current interest-bearing borrowings		313.5	161.1
Non-current lease liabilities		41.7	38.3
Current lease liabilities		26.5	7.8
Trade and other payables		63.7	99.8
<b>Total financial liabilities</b>		<b>977.2</b>	<b>1,186.3</b>

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

## | Note 9 Commitments

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

USD million	31.12.2022	31.12.2021
Rig investments	46.7	10.6
Rental and casing equipment - Discontinued operations	-	22.2
<b>Total</b>	<b>46.7</b>	<b>32.8</b>

The major part of committed capital expenditure as at 31 December 2022 is related to upcoming periodic maintenance for the rig Deep Sea Atlantic.

## | Note 10 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 Odfjell Offshore Ltd tax case. 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.

21 December 2022 Odfjell Offshore Ltd received a tax ruling from the Norwegian Tax Authorities where the tax loss on the realization of shares in 2017 was denied on the basis of the anti-avoidance rule developed as tax case law. Odfjell Offshore Ltd will appeal the ruling, and the Group is still of the opinion that the most likely outcome of a court case is that the anti-avoidance rule should not be applicable and the denial of the tax loss should be revoked. Odfjell Offshore Ltd have made an upfront payment 1 February 2023 of USD 31 million in taxes and interest for the financial years 2017 through to 2021, which the Group have had to fund in accordance with the indemnity letter. The Group estimates that the amount will most likely be refunded, and has therefore not recognised any liability as at 31 December 2022.

There are no other material contingencies to be disclosed as per 31 December 2022.

## | Note 11 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 31 December 2022.

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

29 November 2022, the Group repurchased the preference shares from Akastor ASA ("Akastor"). The preference shares have been acquired for cash for approximately USD 95 million including accrued dividends. Warrants held by

Akastor are not part of the transaction and will remain with Akastor.

As per 31 December 2022 the Group holds 16,123,125 treasury preference shares.

The Group has not acquired any of its own common shares in 2022, and no common shares are held by entities in the Group.

## | Note 12 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.

Refer to Note 13 for more information about the repurchase of the preference shares 29 November 2022.



## Note 13 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.

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

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

USD million	Q4 22	Q4 21	FY 22	FY 21
Profit/(loss) due to owners of the parent	28.8	27.6	129.6	74.4
Adjustment for dividends on preference shares	(1.5)	(2.2)	(8.3)	(8.6)
<b>Profit/(loss) for the period due to holders of common shares</b>	<b>27.3</b>	<b>25.4</b>	<b>121.3</b>	<b>65.8</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>27.3</b>	<b>25.4</b>	<b>121.3</b>	<b>65.8</b>
	Q4 22	Q4 21	FY 22	FY 21
Weighted average number of common shares in issue	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>
	Q4 22	Q4 21	FY 22	FY 21
<b>EARNINGS PER SHARE - TOTAL</b>				
Basic earnings per share (USD)	0.12	0.11	0.51	0.28
Diluted earnings per share (USD)	0.12	0.11	0.51	0.28
<b>EARNINGS PER SHARE - CONTINUING OPERATIONS</b>				
Profit/(loss) for the period due to holders of common shares	27.3	18.8	74.6	52.3
Diluted profit/(loss) for the period due to the holders of common shares	27.3	18.8	74.6	52.3
Basic earnings per share - continuing operations (USD)	0.12	0.08	0.32	0.22
Diluted earnings per share - continuing operations (USD)	0.12	0.08	0.32	0.22

## Note 14 Related-party transactions

The Group had the following material transactions with related parties:

USD million	Relation	Q4 22	Q4 21	FY 22	FY 21
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	0.5	n/a	1.2	n/a
<b>Total sales of services to related parties</b>		<b>0.5</b>	<b>-</b>	<b>1.2</b>	<b>-</b>

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

USD million	Relation	Q4 22	Q4 21	FY 22	FY 21
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	14.9	n/a	44.9	n/a
<b>Total purchases from related parties</b>		<b>14.9</b>	<b>-</b>	<b>44.9</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	31.12.2022
Trade receivables	0.5
Other current receivables	0.0
Trade payables	(10.1)
Other current payables	(1.5)
<b>Net current payables related parties</b>	<b>(11.0)</b>

### Lease agreements

USD million			31.12.2022	Q4 22	FY 22
Related party	Relation	Type of asset	Lease liability	Payments	Payments
Odfjell Land AS	Related to main shareholder	Properties	28.5	(0.8)	(4.5)
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	Mooring and drilling equipment	37.5	(5.4)	(17.3)
<b>Total</b>			<b>66.0</b>	<b>(6.2)</b>	<b>(21.8)</b>

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

Helene Odfjell (Director), controls Odfjell Partners Holding Ltd, which owns 60.37% of the common shares in the Company as per 31 December 2022.

## **| Note 15** Events after the reporting period

There have been no events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 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

31.12.2022			
Non-current interest-bearing borrowings	USD	529.0	million
Current interest-bearing borrowings	USD	313.5	million
Non-current lease liabilities	USD	41.7	million
Current lease liabilities	USD	26.5	million
Adjustment for real estate lease liabilities	USD	(30.7)	million
<b>A Adjusted financial indebtedness</b>	<b>USD</b>	<b>880.1</b>	<b>MILLION</b>
Cash and cash equivalents	USD	157.2	million
Adjustment for restricted cash and other cash not readily available	USD	(21.6)	million
<b>B Adjusted cash and cash equivalents</b>	<b>USD</b>	<b>135.6</b>	<b>MILLION</b>
<b>A-B=C Adjusted Net interest-bearing debt</b>	<b>USD</b>	<b>744.5</b>	<b>MILLION</b>
EBITDA last 12 months	USD	308.0	million
Adjustment for effects of real estate leases	USD	(4.8)	million
<b>D Adjusted EBITDA</b>	<b>USD</b>	<b>303.2</b>	<b>MILLION</b>
<b>C/D=E LEVERAGE RATIO</b>		<b>2.5</b>	



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