Annual Report 2022

FIVE DECADES OF OPERATIONAL EXCELLENCE

odfjell drilling

Table of Contents

2022 Highlights

Robust financial and operational performance

$650m	**$308m**	**$157m**
Revenue	EBITDA	Cash and cash equivalents

Disciplined and focused on making decisions that provide for stakeholders

2.5x	**$1.9bn**	**54%**
Leverage ratio	Order Backlog	Equity ratio

Focused on growth and our people

8 Rigs	**1,358**	**100%**
up from 5 in 2021	employees	of Own fleet installed with carbon efficient hybrid flywheel technology

Disciplined. Focused. Ready.

CEO Letter

Kjetil Gjersdal,
CEO Odfjell Drilling AS

2022 was one of the most impactful years for our Group in its 50 year history. Not only did we see extraordinary market conditions which moved brent to levels unseen for over 14 years, we also saw high levels of inflation and fear of recession. Despite this, our Group has not only weathered the storm, but as we enter our sixth decade, we are moving ahead in one of our strongest and most exciting positions in years. Our total fleet now stands at an increased level of 8 high-spec globally capable rigs, backlog has increased, our industry is improving, and our people are motivated for the future.

In 2022, the most significant event for our Group was the spin-off of Odfjell Technology from Odfjell Drilling. This saw Well Services, Energy and Global Business Services moving from Odfjell Drilling and listing under its own banner on the Oslo Stock Exchange. With this, came a change in leadership, with my appointment as CEO of Odfjell Drilling AS and our former CEO, Simen Lieungh moving to Chair of the Board. Moving forward, Odfjell Drilling is now able to define itself as a pure-play drilling company with global capability and a speciality in harsh environments as well as deepwater capabilities. Comparative numbers for 2021 now present results for just our Mobile Offshore Drilling Units (MODU) business. Our MODU business and the businesses now in Odfjell Technology have very different investment profiles and valuation approaches, and we are pleased to see that following the split, the individual parts which made our business excel in previous years, can be more fairly valued by capital markets.

Another influence on our Group and people this year, was the war in Ukraine. As the war has continued, we have been inspired by the perseverance and determination shown by Ukrainians and our thoughts remain with those caught in the conflict. The impact of the war has been felt across the world, pushing a global economy, already fragile from COVID-19, towards recession. We have seen high inflation rates and a cost of living crisis affecting society. The safety and wellbeing of employees has been something I have been particularly focused on monitoring. During these times, I truly believe that the spirit of our Group reveals itself and I encourage employees to continue to look after themselves and, importantly, each other.

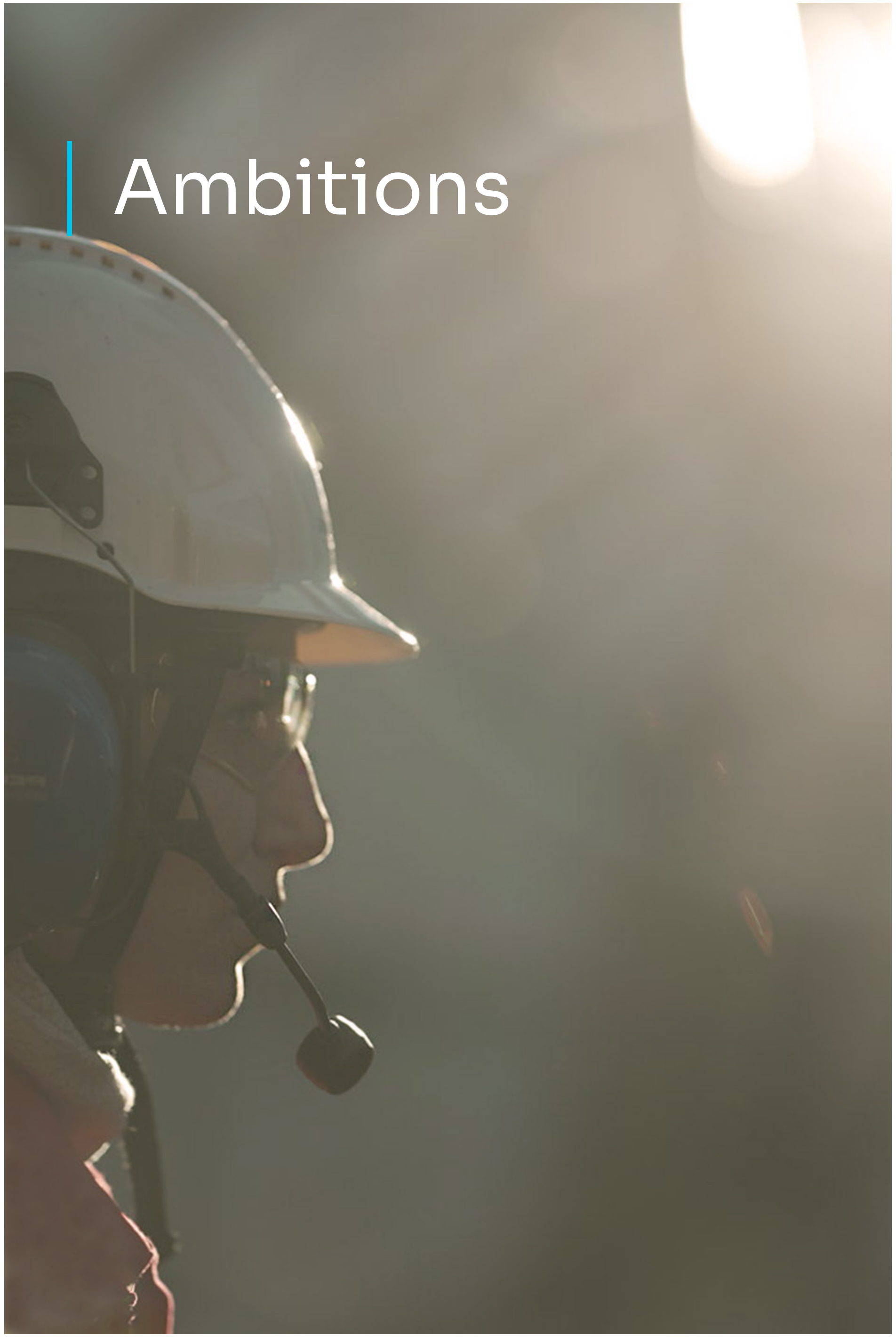
Chronic under-investment in hydrocarbon projects and constraints caused by the Ukrainian conflict, have resulted in significant change for the supply of oil and gas. It has highlighted to many countries, their lack of local supplies of energy. Looking back, I wonder if the term "security of supply" had ever been heard of in early 2022, yet it has become one of the most important issues for governments across the globe. This renewed focus on security of supply has also reignited the focus on the importance of low-carbon hydrocarbons. This was emphasised during the year with gas now recognised as a green energy by the European Union. It does feel as though the energy transition has now been recognised to be a process of evolution, rather than revolution.

Turning to our people, not only have they negotiated the spin-off in a patient and positive manner, but have in fact excelled during the period, positioning our Group at the forefront of our sector. Given internal changes, I am very appreciative of how much they have achieved this year and how collegiate and welcoming they have been to me as their new CEO. I would like to take this opportunity to thank them all.

Our Group's rigorous focus on innovation and challenging ourselves, will be further tested as we tackle our next great undertaking; meeting the needs of the energy transition. We have made great strides during the year working towards our net zero carbon emission targets, with further investment planned. We have successfully installed Flywheel hybrid systems on all our own rigs and completed a pilot program for the use of biofuel as a low carbon marine fuel.

The year has also been notable for our operational performance, with our own fleet utilisation at 98.1%. We secured multiple new contracts, some with new clients outside of the Norwegian Continental Shelf – ExxonMobil, Shell and Total Energies. These contracts are interesting new opportunities, speaking to the strength and breadth of our fleet. In addition to new overseas contracts, we were delighted to sign a five-year firm contract with Aker BP ASA, for drilling programs scheduled to commence early 2025. This is another example of the significant belief our clients have in the capability of our Group to operate at the highest levels in our industry and is in line with our ambitions to be the preferred "Harsh Environment" drilling company.

Strategic Report



Ambitions

In our sector, the increased demand for high quality hydrocarbons is materialising in increased activity and a subsequent demand for drilling rigs. Specifically, we are seeing an increased demand for high-spec, quality drilling rigs such as those in our fleet. Our rigs are able to not only drill in harsh and deepwater locations, but do so efficiently, predictably and responsibly in terms of reducing carbon emissions. With our 6th generation fleet, we see the requirement and outlook for our services increasing not just across the Norwegian shelf, but excitingly, in new jurisdictions.

Looking ahead, the picture is more positive than it has been for many years. Our sector's capacity is reduced, however demand for our services is increasing, not just in the short term, but also in the long term. New builds entering our market seems unlikely in the short to medium term, and we are seeing record numbers of Plans for Development and Operations' being executed from 2024 onwards.

Our Group enters 2023 in one of its strongest positions for years. We are well funded, have strong forward cashflow, the best assets and the best people doing the job and are recognised by lenders for our strong capital discipline. As we enter our 51st year, we feel confident in saying that Odfjell Drilling will continue drilling for many years to come.

To operate successfully using extremely advanced machinery, in some of the harshest conditions on the planet, means we must always be at the pinnacle of safety and innovation. It is our ambition to continue to operate at these pinnacles, not only to meet the increasing challenges of our clients in a time efficient manner, but to do so at a level which is safe for our work force to operate and fulfil our part in reducing carbon emissions.

It is therefore always our clearest ambition as a Group to be a safe, fulfilling, challenging and solution driven workplace, where employees can be confident that they will make it home happy, safe, motivated and ready to take on their next endeavour. This is important to all of us at Odfjell Drilling and benefits all stakeholders involved in our operations.

It is also our ambition to not just be best-in-class operators within our industry, but to also push ourselves beyond what is thought possible. We are renowned for our capability to deliver wells in some of the most unique locations and under some of the harshest conditions; and our reputation speaks for itself. Despite this, we must not be complacent. We must continue to deliver, whilst also being conscious of meeting the needs of tomorrow, specifically, the requirement for lower-carbon energy. We see this challenge however as a continuation on how we have always worked as a business and are tackling it in several manners: increasing focus on lower-carbon decisions, optimising our power sources, and using innovation to become more efficient.

Increasing efficiency not only makes business sense but reduces our total emissions per well. Changing how we use power, similarly, reduces our total emissions, whilst increasing our operational capability. A great example of this, is the Flywheel program, and we look forward to realising the impact of this technology.

Our Business

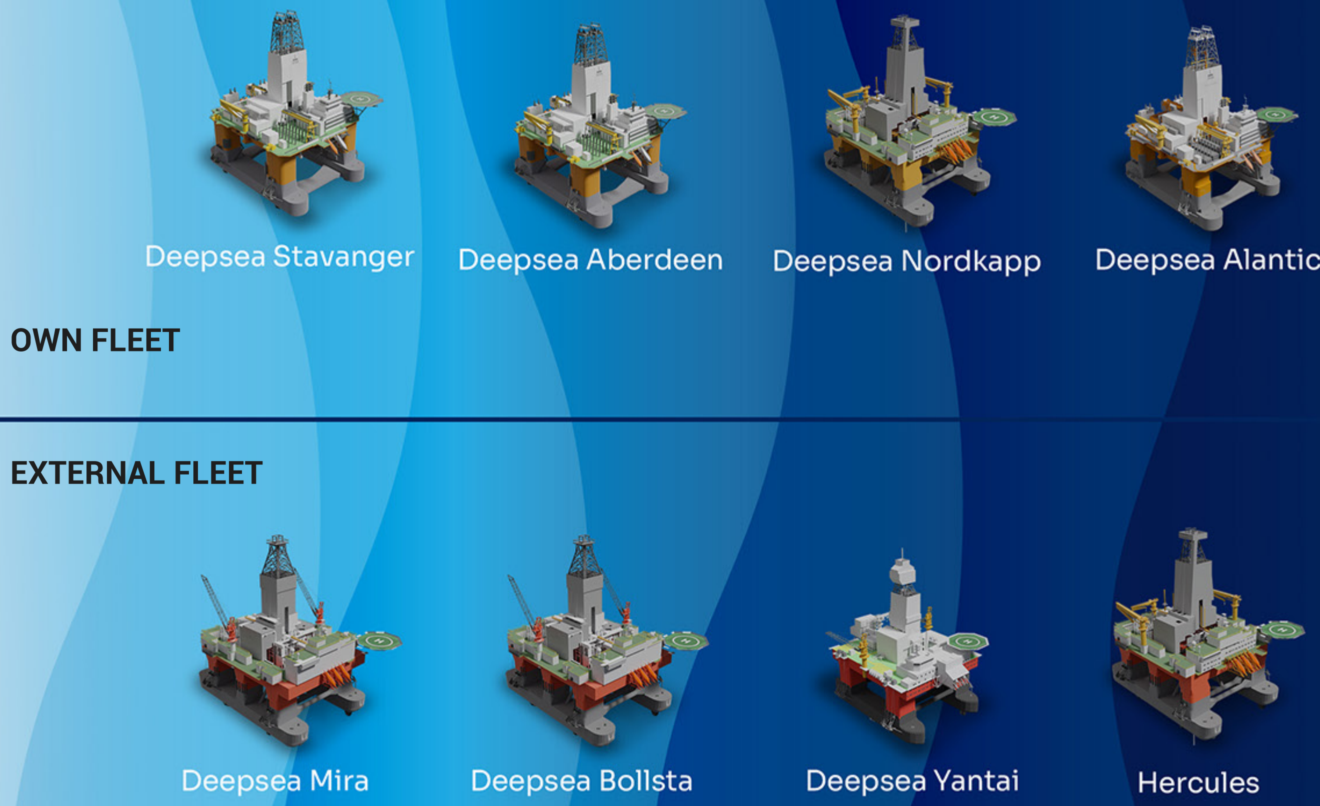
Global Capability

Innovation

Financial Discipline

Driven by Efficiency

Focused



Global capability.

Our advanced fleet of harsh environment semi-submersibles operate in some of the most demanding areas in the world.

Our vast experience has led to the creation of the market's most technologically advanced fleet. Our 6th generation harsh environment, ultra deepwater drilling units deliver the most efficient, reliable and effective operations possible for our clients.

We continuously upgrade our rigs to the latest standards for digital drilling to provide the state-of-the-art drilling operations our clients expect.

Investing in efficiency.

We understand the importance of the energy transition and have set a target to become net-zero by 2050.

All our new rigs are designed for environmentally sensitive areas, and we have been focused on investing to maintain and increase their environmental efficiency. All of our own fleet now has a hybrid/flywheel solution, and we are continuously assessing how new technology and digitalisation can further improve efficiency and safety, while minimising emissions.

Worldwide Experience

Countries we have historically operated in[1]

Own Fleet

External Fleet

[1]. *In compliance with applicable sanctions at time of operation*

COMPANY

- Five decades of experience from worldwide drilling operations
- Continued investment in the latest and best technological solutions
- Ambitious development program for zero emission drilling services
- Our main clients are public and state owned international and national oil companies within the oil gas sector

PEOPLE

- 1,358 employees
- Odfjell Drilling is a people business - we search for, invest in and retain people of the highest quality and competence. Our people are motivated and ambitious, delivering the best standards and services
- Highly specialised and competent offshore workforce
- Expansive management training on various levels

SUPPLY CHAIN

- Global and fully integrated part of the operations
- 6,000 suppliers on the Approved Vendor List
- Centrally led standardised processes and policies
- Supplier qualification and quality systems
- Logistics and inventory management

ETHICS & QUALITY

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

STRUCTURE

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

Mobile Offshore Drilling Units

" With an expanded fleet and a worldwide reputation for hard-work, ingenuity and reliability, Odfjell Drilling's business is well placed to take advantage of a strengthening drilling market.

Kjetil Gjersdal, CEO of Odfjell Drilling AS

Own Fleet

DEEPSEA STAVANGER / OWNERSHIP 100%

Having returned to Norway following a successful drilling campaign in South Africa during 2020, the Deepsea Stavanger worked in 2022 with both Lundin Energy, now part of the AKER BP group, and Equinor.

During the year, the rig worked on 10 exploration wells for a total of 17 wells for the year and achieved 96.9% financial uptime for the year.

During the period, Equinor exercised further work for Deepsea Stavanger under the continued optionality mechanism. The rig was also awarded a five-year firm contract with Aker BP ASA which is scheduled to commence early 2025

Operational areas: harsh environment

Design: GVA 7500 Enhanced

Client & location: Equinor, Lundin Energy NCS

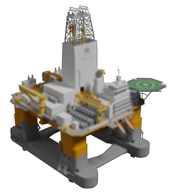
Classification: DNV GL *1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

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

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

Station keeping: DP/POSMOOR

DEEPSEA ATLANTIC / OWNERSHIP 100%



In 2022, Deepsea Atlantic was largely focused on operations at the Johan Sverdrup phase 2 development under the Master Frame Agreement with Equinor.

Completing 11 wells during the period, the rig was mostly focused on production operations and achieved a financial uptime of 97.7% during the period.

Towards year end, following exercise of priced options by Equinor Energy AS, the Deepsea Atlantic will drill five additional wells on Johan Sverdrup Phase 2 development extending the Deepsea Atlantic's firm backlog into Q1 2024

Operational areas: harsh environment

Design: GVA 7500 Enhanced

Client & location: Equinor, NCS

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

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

BOP: Cameron 18 ¾ EVO 15K 4 RAM, POD

Station keeping: DP/POSMOOR

DEEPSEA ABERDEEN / OWNERSHIP 100%

During the period, the Deepsea Aberdeen was on contract with Equinor, working on the Breidablikk development. field.

The rig worked on 12 development wells and achieved a financial uptime of 98.7%.

Operational areas: harsh environment

Design: GVA 7500 Enhanced

Client & location: Equinor, NCS

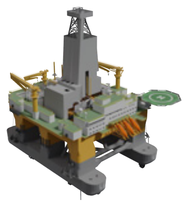
Classification: DNV GL*1A1 Column Stabilized Drilling Unit (N), DRILL(N), HELDK, CRANE, DYNPOS AUTRO, POSMOOR ATA

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

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

Station keeping: DP/POSMOOR

DEEPSEA NORDKAPP / OWNERSHIP 100%



During 2022, the Deepsea Nordkapp was on contract with Aker BP throughout.

Working with Ake BP as part of the alliance framework agreement, the rig worked on the Bøyla and Skarv fields in the Norwegian continental shelf, in addition to multiple other exploration projects.

Drilling a total of 14 wells during the period, the Nordkapp achieved a financial utilisation of 99.2% for the full year.

Operational areas: Harsh environment

Design: Moss CS 60E

Client & location: Aker BP, NCS

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

Topside: NOV TDX 1250 & AHDD

BOP: Cameron TL 15K 5 RAM MUX BOP

Station keeping: DP/POSMOOR

Contract | Options | Frame agreement / Alliance agreement

Note: Letter of Intent awarded on the Deepsea Atlantic included as firm contract

External Fleet

DEEPSEA YANTAI / MANAGEMENT CONTRACT

During the year, the Yantai drilled multiple wells for Neptune Energy Norge AS beginning with two development wells on the Fenja development before moving on to two appraisal wells in block 35/9.

Following this, the Yantai worked for OMV on two shallow gas wells before completing three further exploration wells for Neptune Energy and PGNIG Upstream Norway AS.

Further contract extensions now agreed with Neptune Energy have increased the backlog for the rig to Q3 2024.

Operational areas: Harsh environment

Design: GM4D

Client & location: Various

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

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

BOP: NOV Shaffer 5 ram

Station keeping: DP/POSMOOR

DEEPSEA BOLLSTA / MANAGEMENT CONTRACT

Having joined the fleet in March 2022, the Group's focus was on marketing the Deepsea Bollsta and preparing it for restarting operations.

This was successfully achieved in August 2022, when Northern Ocean, the owners of the Deepsea Bollsta signed a contract with Shell for a drilling campaign offshore Namibia. Subsequently, the rest of the quarter focused on reactivation and mobilisation work before the rig finally arrived on location in Namibia before year end.

Operational areas: Harsh environment

Design: Moss CS60E

Client & location: Shell, Namibia

Classification: DNV

BOP: Cameron TL 6 ram MUX, 15k

Station keeping: DP/POSMOOR:

DEEPSEA MIRA / MANAGEMENT CONTRACT

Odfjell Drilling took over management of the Deepsea Mira in February 2022 and has focused on reactivation and marketing activities.

During the period, a contract was agreed with TotalEnergies for the Deepsea Mira to begin a drilling campaign offshore West Africa, where it will begin in Q2 2023.

Operational areas: Harsh environment

Design: Moss CS 60E

Client & location: Total, West Africa

Classification: DNV

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

Station keeping: DP/POSMOOR

HERCULES / MANAGEMENT CONTRACT

The Hercules joined the Odfjell fleet in late December 2022 and subsequently began a special periodic survey process. This SPS program will now be completed ahead of a planned drilling program in Q2 2023 offshore Canada with ExxonMobil.

Operational areas: Harsh environment

Design: GVA 7500

Client & location: Contracted to ExxonMobil, Canada Q2 2023

Classification: DNV

BOP: Cameron TL 5 ra:

Station keeping: DP/POSMOOR

Contract Options Continued optionality under frame agreement

Chosen for experience and expertise

Experience and expertise. These are our differentiators.

In one of the most complicated, fast-paced and demanding industries in the world, we have over the past 50 years proven ourselves and earned these differentiators. We are proud to be recognised as one of the most well-regarded drilling companies in the world.

This was no easy task and has been built on the combined experience of owning or managing over 30 different rigs. Our accumulated knowledge of how to operate and best serve our clients positions us strongly in the market and continues to position us strongly for the future.

Our fleet has expanded this year and comprises eight 6th generation Mobile Offshore Drilling Units (MODU) which have capabilities to drill in any offshore environment.

Currently deployed in Namibia, Canada and Norway; our fleet and capabilities remain in high demand across the globe.

Our growing fleet

As of today, our fleet includes four owned rigs, the Deepsea Aberdeen, Deepsea Atlantic, Deepsea Nordkapp and the Deepsea Stavanger and four external rigs, the Deepsea Yantai, and joining our fleet during 2022, the Deepsea Mira, Deepsea Bollsta and Hercules.

Our external fleet is owned by different companies and our remit is to provide marketing and management services.

Innovating our fleet

As we look to the future of our industry, we have been focused on embracing our role in the energy transition. It is paramount that all of us look at all measures to make our fleet operations as efficient and sustainable as practically possible.

To do this, during 2022 we invested significantly into sustainably focused investments on our own rigs. One such initiative included outfitting all of our rigs with Flywheel and battery technology. The flywheel, initially piloted on the Deepsea Atlantic has been shown to create fuel savings of up to 30% during tripping operations, improve load level generators, result in less generator maintenance and create improved equipment performance. Excitingly, this technology was envisaged and developed by NOV and Odfjell Drilling staff and towards the period end, was installed on all of our own rigs.

In addition, during the year we executed a pilot program for the use of biofuel as a low carbon marine fuel in cooperation with Equinor. This saw the Deepsea Atlantic operating one engine on 100% Hydro treated Vegetable Oil, which results in 80% GHG emissions savings compared to fossil fuel comparators. While successful, the pilot program demonstrated that although one engine could successfully be run on HVO fuel, not enough HVO fuel could be sourced to expand the project. We are considering the findings of this project and considering how to take this forward.

We have significant upcoming CAPEX related to Special Periodic Survey (SPS) programs on many of our rigs over the coming years. This is a required and anticipated cost to ensure that our rigs are operating at peak efficiency and are in line with industry requirements. We have already begun sourcing long lead items for this process and are confident in our teams' capability to manage this process thoroughly, efficiently, on time and on budget.

50 Years of Odfjell Drilling

February 8th 2023 marks 50 years since the Company was first established as Odfjell Drilling and Consulting Company A/S. At the time, in 1973, offshore activities were only a small part of the Odfjell group. There was a lot of scepticism as to whether Odfjell, as a newly established company with a newly developed and Norwegian-built drilling platform, could deliver according to requirements. It did not take long before the market had their eyes opened with the brand-new H3 rig, and Norway got a head start in oil technology development, with our ancestors at the forefront.

Pioneers for decades

Through these 50 years, the Group has developed cutting-edge expertise and been at the forefront in terms of platform drilling, well services, drilling operations and technology development. In a cyclical industry with long and painful market downturns, the Group has succeeded in building stone by stone and developing to become a sustainable business, future focused. Odfjell Drilling takes pride in its efforts to continue to evolve. We believe this is what enables us to maintain our position decade after decade.

Over the course of five decades, Odfjell Drilling has positioned itself to be the number one harsh environment drilling contractor, by delivering safe, efficient, reliable, and first-class drilling operations.

Our strategy is to be the preferred supplier to our clients; chosen for our ultra-modern assets, competent workforce, experience, and expertise. Since the establishment of the Company, we have owned or managed more than 30 mobile drilling vessels. Through this we have accumulated immense experience that we have utilised to build the state-of-the-art, efficient rig fleet we have today.

Our current fleet comprises four wholly owned 6th generation harsh environment Mobile Drilling Units (MODU's) and four units on management contracts. In 2022, all our own drilling rigs and our managed rigs are under contracts with key international oil companies in some of the most demanding areas in the North Sea and internationally.

Our heritage and present fleet reflect our pioneering spirit from the launch of the first Norwegian built drilling rig in 1973 – the Deep Sea Driller, to the first 6th generation drilling rig in 2009 – the Deepsea Atlantic.

Safety has been at our core from the very beginning, and through the past five decades we have continuously worked to improve our safety performance, both in terms of investments in new equipment and improving our HSE culture. HSE will always be at the centre of our operations, and we will continue to strive for all of our employees to get home safe.

In 2023, we are celebrating 50 years of operational success in some of the most challenging natural environments on earth. As we celebrate our anniversary, we would like to thank all of our past and present employees, and other stakeholders for their drive for improvements in terms of technology, competencies and safety.

1973 - Odfjell Drilling and Consulting Company A/S is established to oversee the offshore activities within the Odfjell group. Over the year, the Company was renamed to Odfjell Drilling and added Well Services, Drilling Operations and Engineering to their service offerings.

The drilling units we own and operate have been in continuous development for the past 50 years, significantly increasing the drilling capacity.

The size of the units measured in displacement have increased from approximately 19,000 mt. to 77,000 mt.

Topside was originally a manually operated conventional derrick. Now, it is a fully automated dual derrick with a significant increase in storage capacity.

In the Company's first year of existence, the Deep Sea Driller drills the deepest well in the North Sea at that time; 5,129 meters deep.

1978 - Odfjell Drilling is the first Norwegian company to be awarded a platform drilling contract on the Norwegian continental shelf. The Company designed, built, and owned the total drilling facility on the Statfjord 'B'.

At the time, most of the operations were done manually, requiring 21 employees per shift. With 50 years of automation and digitalisation, we have halved this number, reducing time, cost and emissions per well.

1981 - Started drilling operations on Statfjord 'B'. Although the drilling modules designed by the Group were intended for five years of drilling operations, they were in operation for more than 25 years.

2006 - Fleet renewal programme was initiated, resulting in the delivery of Deepsea Atlantic in 2009, the first sister vessel in a series of three.

2013 - Odfjell Drilling is listed on Oslo Børs stock exchange.

2019 - Deepsea Nordkapp.

2022 - The Well Services, Energy and Global Business Services divisions were split from Odfjell Drilling, forming the Odfjell Technology spin-off.@

Sustainability

Environment, social responsibility and governance (ESG) strategy

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

The Sustainability report has been prepared in accordance with the Global Reporting Initiative 2021 Sustainability Reporting Standards and can be found at www.odfjelldrilling.com/sustainability/esg-resources.

Ambition

Our overarching ambition is to be a net zero emission company by 2050. Important milestones begin with a 40% emission reduction by 2026 and 70% by 2035. The following ambitions are reflected in our material topics in the three focus areas:

- industry leader in environmental performance
- ensure the highest safety standard and protect our people's health and well-being
- committed to high ethical standards, compliance and integrity

How we manage sustainability

The Group's strategy is anchored on level 1 in the Company Management System. The purpose of the procedure is to align and link the Group's ESG effort and ambitions, it is important to make ESG visible in the Group's existing governing processes. This requires cooperation and coordination across the established governance models within Business Areas and Group level functions.

Sustainability is a consideration for the Odfjell Drilling Ltd Board of Directors (the "Board"). The Board receives regular updates on sustainability matters and conducts deep dive discussions on sustainability topics as required. Heads of functions are responsible for strategy implementation and reporting on risk and performance to the Executive Management Team and the Board. The VP Sustainability is responsible for the design and implementation of the Group's ESG strategy, with input and in cooperation with each of the corporate and Group level functions as chair of the sustainability working group. For a detailed overview, see the Sustainability Report page 6.

Highlights

We have implemented a number of changes across our business which support the efficiency and sustainability of our operations. This year saw us incorporating a number of emissions reducing initiatives including outfitting our four owned rigs with flywheel and battery technologies, upgrading our onboard cooling and ventilation systems, and installation of a direct current grid system.

Altogether we have invested US $50 million in carbon-efficiency projects across our fleet, with further investments planned in 2023. This investment, along with prior-year investments, have comfortably positioned Odfjell Drilling as one of the most efficient drillers compared to our peers globally.

During the year we began multiple stakeholder engagement processes and assessments with a view to making improvements for our day-to-day operations. This has also meant that we have looked into ensuring our adherence to the highest levels of human rights, which has entailed the implementation of stand-alone human rights policy and suppliers risk profiles on all new suppliers after June 1st.

Karoline Flåte
VP Sustainability

QHSE

"Odfjell Drilling have maintained a strong focus on keeping our operations safe and prudent. Incidents reported throughout the year are acted upon with corrective actions and experience transfer to prevent recurrence. HSE improvement plans are in process to turn around negative trends within total recordable incidents and dropped objects. We have not experienced any serious incidents, nor any incidents with major accident potential during 2022. Odfjell Drilling will continue to work actively to ensure adequate capacity and competence going forward, to maintain a high level of quality and HSE in all aspects of our operations.

Janike Myre, SVP QHSE

QHSE Management

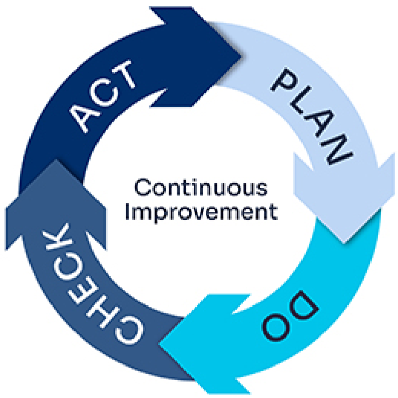
Odfjell Drilling works continually to maintain and develop the highest quality standards for our products and services, to protect assets, and to prevent harm to people and the environment.

Leadership, strong understanding of risk and a continuous focus on QHSE performance are essential in achieving this.

QHSE is a management responsibility starting with commitment from top level, cascaded down through line management.

Odfjell Drilling promotes a QHSE culture based on competence, commitment, mutual respect, empowerment, and involvement.

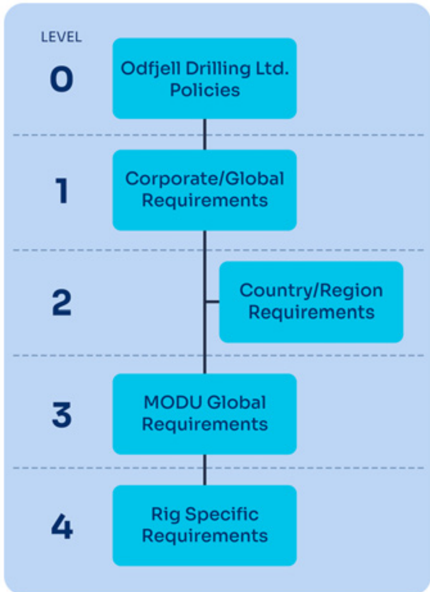
The Plan-Do-Check-Act cycle is an integral part of our work culture to ensure continual improvement.



Company Management System

Odfjell Drilling's Company Management System (CMS) contains policies, processes, and procedures, and is the framework for operating our business, meeting the requirements and expectations of our owners, authorities, clients, and other stakeholders.

The CMS is built on 50 years of operational experience within the drilling sector and complies with recognised international and national standards as well as national legislation. It consists of 5 levels, where level 0 contains policies established by the Board of directors and level 4 contains unit specific work instructions.



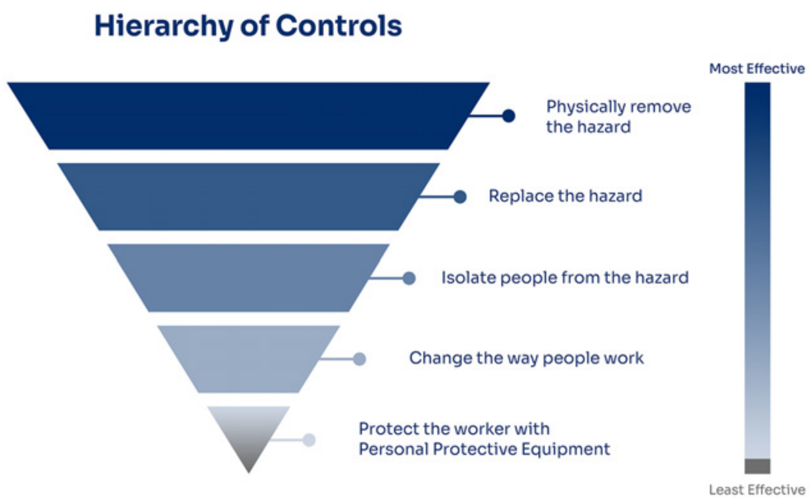
Odfjell Drilling hold the following certification and accreditation:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- International Safety Management code and the International Ship and Port Facility Security code

Risk Management / Risk based approach

Odfjell Drilling practices a QHSE risk management process for all operations by which hazards are identified, and associated risks are understood and managed in such a way that the risk levels are reduced to as low as reasonably practicable

Human performance principles are included in risk assessment processes through increased knowledge and awareness of the human factors influence on human performance.



QHSE Programme 2022

Odfjell Drilling's Annual QHSE programme is established and supplemented by QHSE action plans. Inputs to the programme include:

- Audit results
- Key Performance Indicator (KPI) status
- Data analyses and performance evaluations
- Risk registers / risk analyses
- Environmental aspects and impacts registers
- Management reviews
- Inputs from authorities, clients and the industry

The QHSE programme includes the main activities, objectives and KPIs to prioritise and measure during the year.

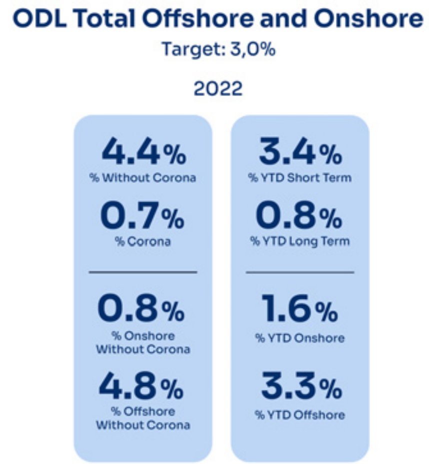
Our main priorities in 2023 are largely in line with those detailed for 2022. Based on emerging security threats in 2022, as well as improvement areas identified through internal management reviews, audits, and other processes, we have added an additional section for security in 2023, including cyber security.

Occupational Health and Safety

Of paramount importance to Odfjell Drilling, is working continuously to maintain the highest safety standards and protect the health of our employees and other individuals associated with our operations. Odfjell Drilling has a long-standing culture of cooperation with safety delegates which is based on communication and collaboration. Safety delegates are present offshore and onshore to safeguard employee's interests in occupational health and safety matters. They are responsible for reporting concerns and issues to management.

Working environment surveys are performed regularly both onshore and offshore to measure employee satisfaction. Results are presented to the workforce for consultation and participation in the development of any action plans required for improvement.

In cooperation with Odfjell Drilling's occupational health service providers, we measure and monitor exposures in the physical working environment to ensure the safety and wellbeing of employees. A wellbeing campaign started in December 2022 and will continue throughout 2023.



The knowledge and experience of our workers is important, and worker participation is essential to ensure safe operations. The HSE rules are the fundamental principles forming our Group safety culture, which is based on competence, involvement and commitment from all employees and managers. The HSE rules are a personal responsibility:

- I will always comply with rules and procedures
- I will always risk assess my work
- I will always act when I see unsafe behaviour and conditions

As part of our safety work, Odfjell Drilling promotes awareness of human factors and how they influence human performance. We recognise that people will make errors and that errors are typically due to underlying conditions and systems. Understanding why errors happen helps us to prevent or correct them. One of our focus areas within human factors is safety leadership and leader behaviours. How leaders respond to errors and how they act when failures occur are crucial in learning from incidents and improving. Human factors are also a major contributor to a robust barrier management system. Human factors that can influence what people do are divided into organisational factors, technical factors, and individual factors. These factors and their interfaces are useful in understanding the root causes of incidents.

Another important industry safety tool that Odfjell Drilling has implemented is the Life Saving Rules, adopted from the International Association of Oil & Gas Producers. These rules highlight the activities most likely to lead to a fatality and provide proactive guidance to prevent serious injuries.

We have initiated people-oriented programmes to reward good safety behaviours and performance, such as launching monthly safety awards to recognise the best safety observation and exceptional effort in the safety arena.

Safety incidents

All incidents are reported and classified according to the Odfjell Drilling incident classification matrix. Based on the actual or potential consequences incidents are subject to a thorough investigation process. In 2022, 14 corporate investigations and technical in-depth studies were carried out in addition to local area investigations. Odfjell Drilling experienced one high potential incident (HIPO) and zero serious accidents in 2022.

Corrective actions are implemented based on results from incident investigations, and experience transfer carried out to prevent recurrence. Experience and learnings from 2022 are mainly based on human awareness / human factors and the importance of daily risk management and supervision of operations.

Security

Security in Odfjell Drilling is an integrated part of QHSE designed to safeguard personnel, assets and business from potential security threats. The war in Ukraine as well as threats towards the oil and gas industry have highlighted the need for increased security awareness.

Odfjell Drilling has strengthened the security team, and several country risk assessments and site surveys have been performed for international operations. 2022 showed an even higher cyber security risk than in 2021 which is managed by the Odfjell Drilling Cyber Security Task Force.

No security breaches were reported in 2022, and unannounced phishing tests are frequently performed by the IT department.

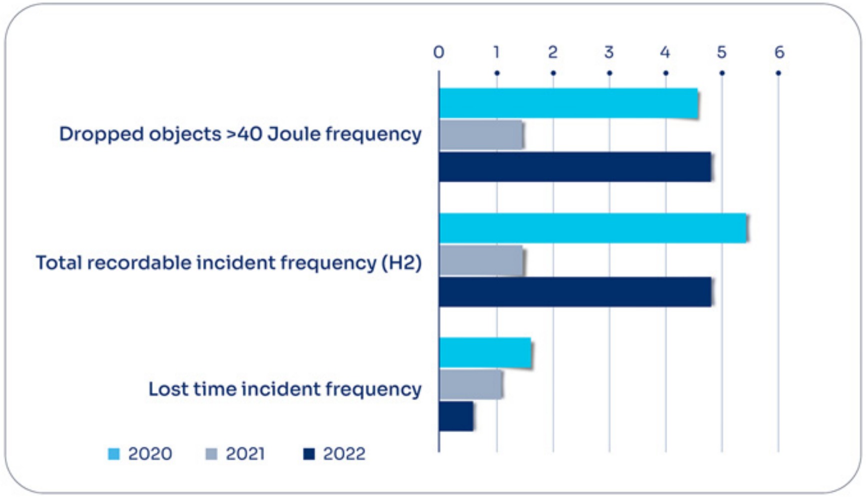
Environment

Environmental risks and opportunities are identified and managed through environmental aspects and impacts registers for each drilling unit, applying the life cycle approach to assessments.

Any significant aspects identified form the basis for setting and formulating objectives and improvement programmes to reduce our impact on the environment.

In addition to operational processes, environmental aspects and impacts are considered in design, procurement, logistics and disposal processes. Management of chemicals is an important part of environmental management, through continuous focus on reducing and replacing hazardous chemicals. The environmental management system, environmental performance, and initiatives to reduce our carbon footprint are further described in our Sustainability Report.

2022 Trends



Emergency Preparedness

Emergency Preparedness plans are established for all levels of the organisation and there is an annual plan for emergency drills and exercises based on governmental, internal and client expectations.

Drills, exercises, and courses for both onshore and offshore personnel were resumed after the Covid-19 restrictions were lifted, including drills for international operations. The aftermath of the Covid-19 pandemic has kept the emergency preparedness organisation active in setting up extra courses, drills and retraining.

Experiences from these exercises are used to improve our onshore emergency preparedness.

Supply Chain

Supply Chain Management (SCM) includes all purchasing and logistics functions. It is a centralised function, enabling us to negotiate the best terms for all operational units and ensuring resources and best practices are optimised. There is a global standard policy covering Enterprise Resource Planning (ERP) system use, ERP and SCM training, parts catalogue code structure and classification, all supported and managed centrally.

Process compliance, efficiency and effectiveness are monitored for consistency across all operational units and key performance indicators reported. We continually work on reducing surplus stock and optimising inventories across operations. SCM is a critical function in ensuring operations run smoothly and digital initiatives in SCM are a significant contributor to increasing efficiency.

SCM is instrumental when looking at how to reduce waste, track and record emissions from logistics to target reductions and utilise more environmentally friendly solutions.

Our suppliers are spread around the globe, with the highest activity levels being in Norway. The main types of suppliers to Odfjell Drilling are suppliers of drilling related equipment, spare parts and safety equipment, operational consumables and various service suppliers.

We screen all potential new suppliers through our Become A Supplier (BAS) process before they are added to an Approved Vendor List within our ERP system. This is to assure our governance and ethical standards are met down through the supply chain.

The supplier prequalification process includes assessments of the supplier in a variety of areas which are evaluated against our expectations. During 2022, the Group has undergone human right's risk assessments and our BAS process now incorporates a separate questionnaire on human rights to allow us to assign a risk score based on self-assessment and evaluate compliance down the supply chain. Suppliers are also assessed for their compliance with statutory regulations and compliance with the Odfjell Drilling Code of Business Conduct.

We look to have open and constructive relationships with our key supplier stakeholders through audits, performance reviews, collaborations and regular meetings with key frame agreement suppliers. More information can be found under responsible supply chain management in the Sustainability Report page 38.

There have been a number of economic pressures affecting the supply chain this year, with an impact on the availability of products and increasing lead times. The SCM function has adapted to take these challenges into account with increased forward planning, particularly in preparation for upcoming Special Periodic Surveys.

294.3

Million USD
Spend with suppliers

817

Number of suppliers used in 2022

18,989

Number of invoices received

How We Manage Risk

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

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

Management of risk is achieved by:

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

At a corporate level, an Enterprise Risk Register is maintained to identify significant risk items which are then reported in a systematic format to the Board. At an operational level, risk and opportunity registers are maintained to manage risk. Risk registers are also created for projects, or as a result of management of change reviews.

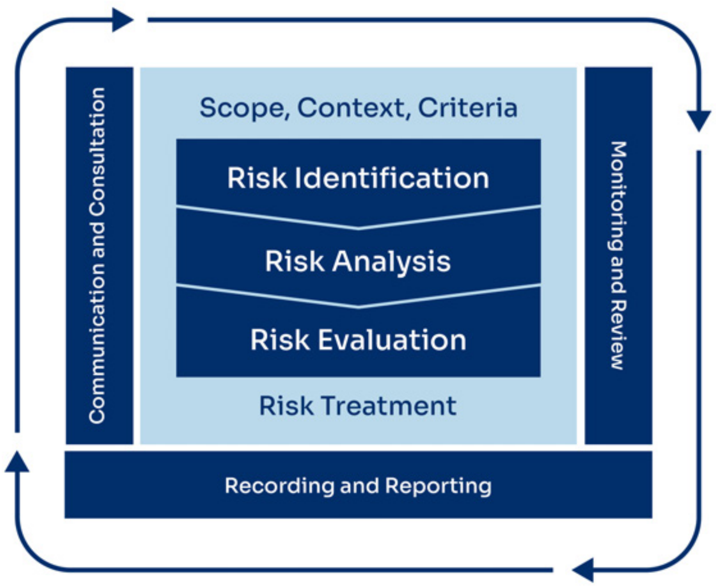
Task based risk assessments, such as hazard identification, are carried out at the planning stage of work. Following that, workplace assessments such as Safe Job Analysis are carried out at site and safety checks/tool box talks take place at the start of a job. A Corporate Risk Committee and a Tender Committee are in place to ensure that tenders/client contracts, designated operations and procurement of a certain value and/or certain risk profile are subjected to a unified risk assessment. Significant risks are escalated to the Board.

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

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

2022 saw a heightened risk level for cyber security attacks with the war between Russia and Ukraine. Measures have been taken to respond to this heightened risk and the Group works with the maritime industry to protect our people and assets from these risks. During the year the Group also initiated human rights risk assessment procedures and has worked with external advisors on the identification, categorisation, and impact analysis from climate risk. More can be read about these activities in our Sustainability Report.

RISK MANAGEMENT PROCESS



How We Engage With Stakeholders

Stakeholders are entities or individuals who can reasonably be expected to be significantly affected by the Group's activities or whose actions can be reasonably expected to affect the Group's ability to achieve objectives. The Group engages in stakeholder dialogue to build trust and drive business development. It is also important to understand risks and opportunities and to adapt to change. Further details on this engagement can be found in the 2022 Sustainability Report.

Shareholders and potential investors

As a listed Company, we aim to regularly update shareholders and potential investors on both price sensitive information and information which we deem salient to the ongoing performance of our business. We do this through regulatory news updates, quarterly reports, investor conference calls including question and answer sessions, annual reports, and investor presentations. We also have multiple social media accounts where we keep stakeholders updated on non-price-sensitive matters and engage with followers. The Group website also provides information on corporate governance, news, stock exchange notices, and provides the individual status of each vessel in our fleet. Investors can also contact the Company directly through our Investor Relations Officer, whose details can be found on our website.

Clients and Suppliers

The Group works to maintain a professional and ethical relationship with all clients and suppliers. Clients are regularly updated on the Group's operational and health and safety performance via contract reviews and regular meetings. Ethics and governance are addressed through industry forums and verification and audit processes. Clients and suppliers can also access information on the business via our website which is kept updated with regular news items.

Employees

We are focused on the continual development and nurturing of our employees and recognise that engaging with our staff is of extreme importance to the continued success of our business.

We ensure employees are regularly updated on health and safety, financial and operational performance, and market information, via town halls. In addition, we keep our employees up to date with Group information both via our intranet portal, and our website.

We engage with employee groups via working environment surveys to get their feedback and identify areas for improvement in their working environment, tracking trends in scoring year on year and across assets. Performance evaluations, as well as reporting line dialogue ensure ongoing follow up with employees, covering training needs as well. The Group engages in dialogue with local unions and employee groups. Furthermore, we also seek to engage with our employees via employee events and social media initiatives.

Authorities

Strong and open dialogue with authorities is extremely important to us. We update relevant authorities and industry forums on health and safety and compliance matters through meetings, regular reporting, certification, and approval processes. Where appropriate, we maintain membership of relevant industry bodies and organisations and have a rigid focus on adhering to required certification and approval processes.

We regularly conduct internal audits to ensure our conformance with local authority requirements and update our website regularly to meet requirements set by authorities as appropriate.

Governance

Board of Directors during the year

Simen Lieungh (Chair from 29 March 2022)

Appointed 29 March 2022

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

Helene Odfjell, (Chair until 29 March 2022)

Appointed 28 January 2010

Helene Odfjell (born 1965) and a UK resident, holds a Bachelor of Business Administration from the Norwegian School of Economics (NHH), a Master of Business Administration in Finance and Strategy from London Business School and is a Chartered Financial Analyst. Ms. Odfjell has many years of experience in business and management and holds many board and management positions in the affiliates of the Company. Ms. Odfjell has been Chair of the Board for several periods over the last few years and was appointed as a Director in September 2013. Ms. Odfjell resigned as Chair of the Board on 29 March 2022, but continues to serve as a Director on the Board. Ms. Odfjell controls 142,952,381 shares in the Company as at year end 31 December 2022.

Harald Thorstein

Appointed 26 January 2022

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

Thomas Marsoner

Appointed 11 December 2018, resigned 9 November 2022

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

Susanne Munch Thore

Appointed 20 June 2018, resigned 29 March 2022

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

Alasdair Shiach

Appointed 11 December 2018, resigned 29 March 2022

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

Executive Management Team

Kjetil Gjersdal, Chief Executive Officer, Odfjell Drilling AS

Employed since 2000, appointed to current position in 2022.

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

Frode Syslak, Chief Financial Officer, Odfjell Drilling AS

Employed since 2005, appointed to current position in 2022.

Mr. Syslak holds a master's degree from Norwegian School of Economics (NHH). He joined Odfjell Drilling in 2005 and has broad capital markets experience from various roles within group finance. He held the position of Vice President Finance from 2011 until assuming his current role.

Jakob Korsgaard, Chief Operating Officer, Odfjell Drilling AS

Employed since 2023.

Mr. *Korsgaard has a background from 30 years with Maersk Drilling and has broad experience within the global drilling industry, particularly in Norway, UK, Egypt and UAE, serving various management positions including HR, Commercial and Operational leadership positions.*

Håkon Klepsvik, Chief Technology Officer

Employed since 1996, appointed to current position in 2022.

Mr. Klepsvik was educated in Industrial Economics and Technology Management at NTNU in Trondheim, Norway. He has more than 25 years' experience in Odfjell Drilling's operations and technology management divisions, including more than a decade serving as VP Asset Manager, responsible for the fleet renewal and improvement programme.

Cecilie Isdahl Gjelsvik, General Counsel

Employed since 2012, appointed to current position in 2017.

Ms. Gjelsvik holds a Master of Laws (LL.M./cand. jur.) from the University of Bergen. After graduating, Ms. Gjelsvik worked as a corporate lawyer for law firm Schjødt for seven years before joining Odfjell Drilling. She has broad experience within oil and gas law, contract law, general corporate law, and M&A.

Janike A. Myre, Senior Vice President, QHSE

Employed since 2002, appointed to current position in 2011.

Ms. Myre is a business graduate from BI Norwegian Business School, and has completed master programs as well as executive management courses at BI. Ms. Myre has more than 33 years' experience gained from leading positions in Gulf, Chevron, Sonat Offshore and Transocean.

Diane Stephen, General Manager, Odfjell Drilling Ltd

Employed since 2019, appointed to current position in 2021.

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

Michael Boysen Nielsen, Executive Vice President, Business Development

Employed since 2015, appointed to current position in 2015.

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

Kurt Werner Holsæter, Senior Vice President, Human Resources

Employed since 2018, appointed to current position in 2018.

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

Audit Committee Report

Role of the Committee

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

Key responsibilities

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

- understanding, assessing, and monitoring business and financial risks and risk management systems
- monitoring annual and interim financial reporting along with proposals to ensure its integrity
- overseeing and assessing the performance of internal control and external audit activities
- overseeing legal and regulatory compliance
- reviewing and monitoring the selection and independence of statutory auditors, maintaining continuous contact with the appointed auditor regarding auditing of annual accounts and monitoring audit performance
- reviewing arrangements for the confidential raising and investigation of concerns in financial reporting and other matters
- preparing the Board's review of the financial reporting process and sustainability reporting, providing recommendations or suggestions to ensure integrity of reporting

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

Membership

The Committee consists of two Board members, one of which is considered to be independent and have competence in accounting or auditing. Susanne Munch Thore was Chair of the Committee until March 2022 with Harald Thorstein then taking over, both of whom were independent of the Executive Management of the Group. The CFO acts as secretary of the Committee.

Meetings and attendance

The Committee endeavours to hold four meetings each year and interim meetings may be called if required. Members of management, auditors, and others are invited to attend meetings and provide pertinent information as necessary. In 2022 five meetings were held. The focus was on precise and accurately prepared quarterly and annual reports, based on consistent use of accounting principles defined by IFRS. The 2022 meetings also covered the Sustainability Report, interim and year end audit process and plans, tax and compliance matters, and new legislative requirements.

Documentation provided to the Committee as preparation for meetings include reports, memos and policies provided by accounting, tax, and legal experts, both internal and external.

The Committee has focused on robust documentation and reasonable judgement applied in relation to significant estimates and assumptions. This includes impairment indicators of the mobile offshore drilling units, as well as any uncertain tax position.

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

Activities during the year

During the year, the Committee has considered all relevant laws, regulations, codes, particularly the new Transparency Act in Norway, and any other applicable rules. They have reviewed tax and compliance activities and matters as well as any material disputes.

The Committee reviewed the spin-off of Odfjell Technology, including valuation parameters and the impact on reporting where Odfjell Technology business areas are reported as discontinued operations.

The compliance framework was reviewed and updates made to procedures and learning materials. In addition, the Committee reviewed the Audit Committee Charter.

The 2022 Audit plan was presented to the Committee by KPMG, introducing the audit team, and discussing focus areas.

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

How internal control and risk management was assessed

The Committee has used the auditor's report to the Committee as the basis for understanding and improving the internal control systems of the Group.

During the year, there was a presentation on the internal control/quality assurance processes within the organisation. The Committee was also briefed on a project to evaluate the impact of climate risks on the business.

Financial statements and accounting practises

The annual financial statements for the year ended 31 December 2022, as well as the external auditor's presentations, management's response, and the auditor's opinion, were reviewed by the Committee. The views of the Committee were communicated to the Board prior to its approval of the financial statements.

Corporate Governance Report

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

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

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

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

Governance structure

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

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

Board and committee attendance

The Board convened twelve times during 2022 with actual attendance compared to possible attendance as follows:

Board and committee attendance

	Board Members	Audit Committee
Helene Odfjell	12 / 12	5 / 5
Susanne Munch Thore	4 / 4	1 / 1
Alasdair Shiach	4 / 4	N / A
Thomas Marsoner	10 / 11	N / A
Simen Lieungh	8 / 8	N / A
Harald Thorstein	11 / 11	4 / 4

The Company's business activities

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

The Group has five decades of operational experience. This experience has been used to expand internationally by offering a state-of-the-art fleet of mobile offshore drilling units to the harsh environment, ultra-deep water and deep water markets. The fleet consists of a mix of own assets and assets managed on behalf of other owners.

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

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

Equity and dividends

The Group had book equity of USD 1,208 million and a book equity ratio of 54% as of 31 December 2022. The Board regards the Group's present capital structure as appropriate and tailored to its objectives, strategy, and risk profile.

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

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised but unissued shares of the Company on such terms and conditions as it may decide. Any shares or class of shares may be issued with preferred, deferred, or other special rights, or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise, as the Company may prescribe.

This represents a deviation from section 3 of the Code. However, such issuance of shares by the Company is subject to prior approval given by resolution of a General Meeting. Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board also has the power to authorise the Company's purchase of its own shares, whether for cancellation or acquiring as treasury shares, and the power to declare dividends. These powers are neither limited to specific purposes nor to a specified period as recommended in the Code.

Equal treatment of shareholders and transactions with close-related parties

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

The preference shares, which did not carry any voting rights, were repurchased by the Company on 29 November 2022 for cash, including accrued dividends

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

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

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

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

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

Shares and negotiability

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

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

General Meetings

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

The Board ensures that:

- the notice, supporting documents and information on the resolutions to be considered at the General Meeting are available on the Company's website no later than 21 days before the General Meeting is held
- the resolutions and supporting documentation, if any, are sufficiently detailed, comprehensive, and specific to allow shareholders to understand and form a view on matters that are to be considered at the General Meeting
- the registration deadline, if any, for shareholders to participate at the General Meeting is set as closely as practically possible to the date of the meeting and pursuant to the provisions in the Bye-laws
- the Board and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board and committees, if applicable
- the members of the Board and the auditor must be invited to attend the General Meeting
- in accordance with the Bye-laws, the Chair of the Board shall chair the Company's General Meetings unless otherwise agreed by a majority of those attending and entitled to vote. If the Chair of the Board is not present, then a Chair of the meeting shall be appointed or elected at the meeting. This represents a deviation from section 6 of the Code

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

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

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

Nomination Committee

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

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

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

The Board of Directors – composition and independence during 2022

The Board is normally comprised of three independent non-executive directors and one director who is also the majority beneficial shareholder. All the shareholder-elected members of the Board are independent of the Group's Executive Management and three are independent of the Company's major shareholder.

During the year there were a number of changes in Director's due to the spin-off of Odfjell Technology. A fifth Director, Harald Thorstein, was appointed to the Board on 26 January 2022. Alasdair Schiach and Susanne Munch Thore then resigned upon the spin-off, with Simen Lieungh being appointed at that time and taking over as Chair. Thomas Marsoner then resigned on 9 December 2022, resulting in a vacancy at year end which was subsequently filled in 2023 by Knut Hatleskog.

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

The Board of Director's section provides further details on each director's background, skills and expertise. As of 31 December 2022 the Board consisted of three members, two male and one female, two of which are UK resident. The fourth Board member who joined on 3rd April 2023 brings this to three male, one female and three are UK resident. They possess the relevant expertise, capacity and diversity as set out in the Code and are elected on an annual basis at the AGM, with the exception of vacancies, which may be filled by the Board. The composition of the Board ensures they can attend to the common interests of all shareholders and that the Board can function effectively as a collegiate body. The Board exercises proper supervision of the management of the Company and its operations.

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

The work of the Board of Directors

The Board schedules in advance eight meetings per calendar year as well as an information meeting. Interim meetings may be convened if a need arises.

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

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

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

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

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

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

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

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

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

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

The Board has not established any other committees.

The Board undertook a self-evaluation in December 2022 and reviewed the results in January 2023.

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

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

Risk management and internal controls

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

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

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

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

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

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

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

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

Remuneration of the Board of Directors

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

During the year, none of the members of the Board and/or companies with whom the Board members are associated, have taken on specific paid assignments for the Group in addition to their appointments as members of the Board in 2021.

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

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

Remuneration of the Executive Management

Pursuant to Bermuda law and common practice for Bermuda incorporated companies listed on the Oslo Stock Exchange, the Board determines the remuneration of the Executive Management of the Company. The remuneration of Executive Management for the financial year 2022 can be found in the Executive Remuneration Report.

Guidelines for the remuneration of Executive Management can be found in the Executive Remuneration Policy, an updated version of which was approved by shareholders at the AGM on 21 September 2022, and can be found on our website www.odfjelldrilling.com. The policy for executive remuneration looks to use performance related remuneration by way of a variable bonus capped at 100% of salary and share option schemes for certain executives. The Remuneration Policy is set to attract and retain Executive Management of sufficient calibre. It also aims to align with shareholder's interests and the Company's strategy, long term interests and financial viability.

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

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

Information and communication

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

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

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

The Company has considered communication with shareholders to ensure that relevant information is shared with them. Such communication is carried out in compliance with the provisions of applicable laws and regulations. Shareholders can communicate with the Company through Q&A sessions on quarterly calls and by contacting the Investor Relations Officer.

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

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

Take-overs

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

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

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

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

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

The Board shall consider whether to arrange a valuation from an independent expert. If the bidder is a member of the Board, close associate of a member, or someone who has recently been a member of the Board but has ceased to hold such a position or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined herein Note 33 - Related parties - transactions, receivables, liabilities and commitments). Any such valuation should either be enclosed with the Board's statement or reproduced or referred to in the statement.

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

Auditors

The reappointment of the auditors KPMG was approved by shareholders at the General Meeting on 21 September 2022. The shareholders authorised the Board to determine the auditor's annual remuneration.

The auditor participated in a meeting of the Board on 25 April 2022 in which the annual accounts were presented. During this meeting, the executive personnel left the meeting to allow the Board time with the auditor alone.

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

Processes are in place to ensure that the Company does not utilise the services of the appointed auditor for advice beyond certain thresholds determined by the Board and in law. At the AGM, shareholders give authorisation to the Board to determine the remuneration of the auditors. Details of fees paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments can be found in Note 33 - Related parties - transactions, receivables, liabilities and commitments.

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

Executive Remuneration Report

Introduction

The Board of Directors present the Remuneration Report for 2022, which is prepared in accordance with Section 6-16 of the Norwegian Public Limited Liability Companies Act and the guidelines contained within the Norwegian Corporate Governance Board Code of Practice. It follows the updated Group Remuneration Policy approved by shareholders at the AGM held on 21 September 2022, which can be found at www.odfjelldrilling.com. The AGM also approved the 2021 Executive Remuneration Report. The statement covers the remuneration of the Board of Directors and Executive Management. The objective is to present a clear and understandable analysis of executive remuneration and how this is linked to Group performance. This statement will be presented to shareholders in the 2023 AGM and subject to an advisory vote.

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

2022 saw the Group's EBITDA increase from USD 258.5 million in 2021 to USD 308 million (prior year reporting done on a comparable basis following the spin-off of Odfjell technology). The Group continues to secure backlog to give visibility of future revenue.

Highlights

Key events affecting remuneration

The 2022 EBITDA of USD 308 million reflects the ongoing cost discipline and efficient operations being delivered by the Group. Backlog stood at USD 1.9 billion at 31 December 2022 and there was a positive cashflow before financing activities of USD 164 million.

QHSE performance saw a reduction in LTI frequency. The Group constantly works hard to ensure the safety of those working for us. Excellent progress has been made in moving towards our net zero emission targets. Through collaboration, employee engagement and communication, and optimal resource management, the Executive Management have led the Group through an extremely busy year with significant expansion of the fleet and the strategic move to spin-off Odfjell Technology. For these reasons, the Board approved the payment of bonuses for 2022.

Key changes in Directors and Executive Management

With the spin-off of Odfjell Technology, Simen Lieungh and Jone Torstensen resigned as CEO and CFO respectively of Odfjell Drilling AS on the 29 March 2022. They were replaced by Kjetil Gjersdal as CEO and Frode Skage Syslak as CFO. Harald Thorstein joined as a director on 26 January 2022. Alasdair Shiach and Susanne Munch Thore resigned as directors on 29 March 2022 and on the same date, Simen Lieungh was appointed as a director.

Change to policy or its application

There were no changes to or derogation from the policy during the year.

Overview

Remuneration of the Board of Directors

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

Fees were held at the 2021 level. Director's fees are not linked to the performance of the Company or to share options and are approved at the AGM.

Name of Director and position USD thousands	Year	Board Fees	Chair fees	Audit committee	Other Directorships	Total Remuneration	No of shares owned
Helene Odfjell, Non-Executive Director for full year and Chair until 29 March 2022	2022	39	10	4		53	142,952,381
	2021	44	44			87	142,476,191
Susanne Munch Thore, Non-Executive Director- resigned 29 March 2022	2022	10		3		13	3,000
	2021	44		12		55	3,000
Alasdair Shiach, Non-Executive Director - resigned 29 March 2022	2022	10			1	11	- 0
	2021	44			6	49	- 0
Thomas Marsoner, Non-Executive Director - resigned 9th November 2022	2022	32				32	- 0
	2021	44				44	20,000
Harald Thorstein Non-Executive Director - appointed 26 January 2022 and appointed Chair of Audit Committee 29 March 2022	2022	36		8		44	- 0
Simen Lieungh, Non-Executive Director and Chair - appointed 29 March 2022	2022	29	29			58	- 0

1. Includes shares held by related parties

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

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

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

Remuneration of Executive Management

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

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

		Fixed remuneration			Variable remuneration						
Name of Director/Executive and position	Year	Base Salary	Fees	Fringe benefits	One-year variable	Multi-year variable	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Remuneration of Executive Management for the reported financial year from the company (Odfjell Drilling Ltd) -USD thousands											
Diane Stephen, General Manager Odfjell Drilling Ltd (50% part-time from 28th March 2022)	2022	116		7	23			6	152	85%	15%
	2021	200		12	40			11	263	85%	15%
Remuneration of Executive Management for the reported financial year from undertakings of the same group - USD thousands											
Simen Lieungh, CEO Odfjell Drilling AS (until 28 March 2022)	2022	189		7	130	1,507		5	1,839	11%	89%
	2021	640		52	582	1,105		13	2,391	29%	71%
Kjetil Gjersdal, CEO Odfjell Drilling AS (from 28th March 2022)	2022	308		19	263			13	604	56%	44%
Jone Torstensen, CFO Odfjell Drilling AS (until 28 March 2022)	2022	84		7	62			5	159	61%	39%
	2021	91		9	58			4	162	64%	36%
Atle Sæbø, CFO Odfjell Drilling AS (until 31 August 2021)	2021	227		17	0		209	23	476	56%	44%
Frode Skage Syslak, CFO Odfjell Drilling AS (from 28th March 2022)	2022	155		10	117			12	294	60%	40%

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

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

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

4. The General Manager is employed by Odfjell Technology Ltd and amounts disclosed represent a recharge of 50% part-time costs applicable to the role of General manager for Odfjell Drilling Ltd.

5. Long term bonus agreement – In April 2021 Simen Lieungh was granted a long term bonus agreement for a maximum accumulated value of NOK 30 million. The agreement is valid for 3 years from 1 January 2021 and is conditional upon him being CEO of Odfjell Drilling AS. (It may be renegotiated in case of any restructuring of the Group). As this amount is at the discretion of the Board it is only accounted for when paid.

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

Share options awarded or due to Executive Management

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

The main conditions of share option plan 2018	
Specification of plan	The programme grants the option to purchase 960,000 common exercisable shares in three tranches of 320,000
Performance period	5 years
Award date	16.05.2018
Vesting date	16.06.2020 16.05.2021 16.05.2022
End of holding period	16.05.2023
Exercise period	Options may be exercised during the following year. Options not exercised in the first 2 tranches can be rolled forward to the next tranche and any options not exercised by the end will be terminated which is 1 year after the last vesting date on 16.05.2023
Strike price of the share	NOK26.65

1. This share option plan was settled in cash for a total of NOK 4,497,859 on 31st May 2022

Information regarding the reported financial year	Simen Lieungh, CEO Odfjell Drilling AS
Opening balance	
Share options awarded beginning of year	960,000
Share options vested	640,000
During the year	
Share options awarded	-
Share options vested	320,000
Share options exercised[1]	960,000
Closing balance	
Share options vested	-
Share options awarded and unvested	-

The main conditions of share option plan 2022	
Specification of plan	The programme grants the option to purchase common exercisable shares in five equal tranches. The Company can choose to settle the options by a cash payment
Performance period	5 years
Award date	27.06.2022
Vesting date	27.06.2023 27.06.2024 27.06.2025 27.06.2026 27.06.2027
End of holding period	02.07.2027
Exercise period	The Option Holder may only exercise the vested shares in each relevant Tranche of Options in full and within 5 working days after each Vesting Date. Any Tranche of Options not exercised in an Exercise Period can be carried forward and exercised in a future Exercise Period. Any options not exercised by the end of the period will be terminated.
Strike price of the share	NOK23.37

1. As at 31 December 2022 there were no share options subject to a performance condition or to a holding period

Information regarding the reported financial year	Kjetil Gjersdal, CEO Odfjell Drilling AS	Frode Skage Syslak, CFO Odfjell Drilling AS
Opening balance		
Share options awarded beginning of year	-	-
Share options vested	-	-
During the year		
Share options awarded	750,000	400,000
Share options vested	-	-
Closing balance		
Share options vested	-	-
Share options awarded and unvested	750,000	400,000

Executive Management share ownership and terms as at 31 December 2022

Name and position of Executive Management	Shares owned	Notice period & severance pay entitlement	Pension scheme
Diane Stephen, General Manager Odfjell Drilling Ltd	0	6 months	Standard UK defined contribution scheme
Kjetil Gjersdal, CEO Odfjell Drilling AS	0	6 months + 12 months Severance Pay	Standard Norway defined contribution pension scheme
Frode Skage Syslak, CFO Odfjell Drilling AS	0	6 months + 6 months severance pay	Standard Norway defined contribution pension scheme

Comparison of remuneration and Company performance over 5 years

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

	2018	% change on prior year	2019	% change on prior year	2020	% change on prior year	2021	% change on prior year	2022	% change on prior year
Director's and Executive's remuneration - USD thousands										
Helene Odfjell, Non-Executive Director and Chair	28	4%	85	204%	74	-13%	87	18%	53	-39%
Susanne Munch Thore, Non-Executive Director	N/A		36		53	47%	55	5%	13	-77%
Alasdair Shiach, Non-Executive Director	N/A		22		40	82%	49	21%	11	-77%
Thomas Marsoner, Non-Executive Director	N/A		22		37	68%	44	18%	32	-27%
Harald Thorstein, Non-Executive Director	N/A		N/A		N/A		N/A		44	
Simen Lieungh, Non-Executive Director and Chair	N/A		N/A		N/A		N/A		58	
Diane Stephen, General Manager Odfjell Drilling Ltd	N/A		N/A		N/A		223		152	-32%
Simen Lieungh, CEO Odfjell Drilling AS	1,005	28%	2,631	162%	2,333	-11%	1,809	-22%	1,839	2%
Kjetil Gjersdal, CEO Odfjell Drilling AS	N/A		N/A		N/A		N/A		604	
Atle Sæbø, CFO Odfjell Drilling AS	540	34%	537	-1%	512	-5%	476	-7%	N/A	
Jone Torstensen, CFO Odfjell Drilling AS	N/A		N/A		N/A		104		159	53%
Frode Skage Syslak, CFO Odfjell Drilling AS	N/A		N/A		N/A		N/A		294	
Group Performance - USD Thousands										
EBITDA	259,147	-5%	331,759	28%	420,403	27%	303,541	-28%	308,004	1%
Net profit	27,350	-23%	40,820	49%	143,304	251%	73,852	-48%	129,597	75%
Backlog	2,400,000	-8%	2,300,000	-4%	2,300,000	0%	2,100,000	-9%	1,900,000	-10%
Leverage ratio	3.8	-7%	3.8	0%	2.5	-34%	3	20%	2.5	-17%
Average remuneration on a full-time equivalent basis of employee - USD thousands										
Employees of the Company	N/A		267		252	-6%	167	-34%	119	-29%
Employees of the Group	113	1%	111	-2%	110	-1%	117	6%	134	15%

1. Average remuneration includes salary, benefits, bonuses and employer pension contributions

Board Of Directors Report

Odfjell Drilling Ltd. (the "Company") is the ultimate parent company of the Odfjell Drilling group, comprised of the Company and its subsidiaries (the "Group"). The Group owns and operates a fleet of high quality mid-water to ultra-deep-water harsh environment mobile offshore drilling units as well as managing units on behalf of other asset owners. Our client base consists primarily of major oil and gas companies and the Group has five decades of experience in the industry. In 2022 the Group generated operating revenues of USD 650 million and a net profit from continuing operations of USD 83 million. The Company has been listed on the Oslo Stock Exchange since 2013.

In March 2022, the Group spun-off its Well Services, Energy and Global Business Services areas into a new group under Odfjell Technology Ltd (OTL), which listed on the Oslo Stock Exchange. Odfjell Drilling shareholders received one OTL share for every six common shares held in Odfjell Drilling Ltd.

Business and market overview

History

Odfjell Drilling was founded in 1973 and began operating as a drilling contractor in 1974. Over the past five decades the business has built a solid reputation as a trusted drilling partner focused on delivering quality, value, and results for its client base, in a safe manner.

The Group has extensive contracting experience and has operated in a number of jurisdictions over the years. The Group has operational expertise in semi-submersibles, jack-up platforms and drill ships, as well as modular drilling and well intervention rigs.

Corporate structure

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

Information regarding related parties can be found at Note 33 - Related parties - transactions, receivables, liabilities and commitments.

The Group is organised into two main business segments:

- Own fleet
- External fleet

Corporate strategy

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

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

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

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

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

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

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

Equity and shares

The Group had book equity of USD 1,208 million and a book equity ratio of 54% as at 31 December 2022.

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

Preference shares issued to an affiliate of Akastor ASA were repurchased in November 2022.

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

The number of ordinary shares issued in Odfjell Drilling Ltd. as at 31 December 2022 is 236,783,202.

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

On 27 June 2022, the Company implemented a long term incentive share option plan. A total of 1,450,000 options have been awarded to certain of its employees at a strike price of NOK 23.37 per share.

The Company is not aware of any shareholder agreements or any other agreements which limit trading of the Company's ordinary shares or voting rights as at 31 December 2022.

Taxation

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

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

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

The tax strategy aligns to the Group's wider risk and control framework. Key risks and issues related to tax are escalated to and considered by the Group Audit Committee and Board of Directors on a regular basis.

The Group may operate in different countries and is exposed to a variety of tax risks as follows:

- Tax compliance and reporting
- Transactional
- Reputational

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

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

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

Focus areas

Odfjell Drilling has significantly increased the size of the total fleet through taking on marketing and management services in 2022 for Deepsea Mira, Deepsea Bollsta and also for the harsh environment semi-submersible Hercules in May 2022. The integration of these contracts into the Group has been a main area of focus, with employees transferring into the Group and embedding Odfjell Drilling procedures and culture within the operational teams. Continual improvement is another focus area, particularly around the reduction of carbon emissions.

Environment, Social and Governance (ESG)

The Global Reporting Initiative framework is used to drive continuous improvement in ESG efforts, and our focus is on creating clear ESG ownership in all operations and functions, with ESG being one of our top priorities. We have a number of initiatives ongoing, that will help us achieve our net Zero target by 2050. We have also undertaken two major projects on human rights and climate risk during 2022, identifying risks and impacts on or created by the Group.

The Group will publish a human rights statement in line with the Norwegian Transparency Act reporting requirements by 30th June 2023. In the meantime, reference can be made to the human rights section of our website Human rights - Odfjell Drilling and also to the 2021 Modern Slavery Statement Modern slavery statement - Odfjell Drilling.

Gender pay gap reporting for Norway and the UK, can also be found on the website at Gender pay gap - Odfjell Drilling.

More detail on these matters can also be read in our Sustainability Report which is available at www.odfjelldrilling.com.

Details on executive remuneration, can be found in our Executive Remuneration Report.

Growth

Demand for our units has been high with a number of contract renewals and tenders won. We are open to expanding our capacity in a commercially secure manner. This means taking on the right assets, meeting the demands of the market and with visibility of future work. The fleet of own and external rigs has grown from six to eight since the end of 2021 with all having contract commitments.

Diversification

The expanded fleet has opened up deepwater opportunities elsewhere in the world, with Deepsea Mira and Deepsea Bollsta deployed to West Africa and Hercules scheduled for work in Canada.

Segment Overview

Activity for the two business segments is summarised below.

Own Fleet

The Group's own semi-submersible drilling units operated across multiple projects in Norway during 2022 and were also awarded a number of key new contracts and contract extensions.

The Deepsea Stavanger worked with both Lundin Energy and Equinor across multiple different well types and locations in the Norwegian Continental Shelf. Equinor exercised further work for Deepsea Stavanger under the continued optionality mechanism and the rig was also awarded a five-year firm contract with Aker BP ASA which is scheduled to commence in early 2025.

The Deepsea Atlantic was largely focused on operations at the Johan Sverdrup ph. 2 development under the Master Frame Agreement with Equinor and was primarily drilling production wells.

During the period Equinor Energy AS, exercised further options for the Deepsea Atlantic to drill five additional wells on Johan Sverdrup Phase 2 development extending the Deepsea Atlantic's firm backlog into Q1 2024.

The Deepsea Aberdeen was under contract with bp UK from January to April and during that period the rig drilled for Wintershall under a farm out agreement. In May the rig entered a contract with Equinor, working on the Breidablikk development.

The Deepsea Nordkapp was on contract with Aker BP throughout 2022, working closely with Aker BP as part of the alliance framework agreement. The rig worked on various exploration and development fields on the Norwegian continental shelf.

External Fleet

Our external fleet, other than the Yantai, were mostly in a period of operational maintenance and reactivation processes.

The Yantai drilled multiple wells for Neptune Energy Norge AS, beginning with two development wells on the Fenja development before moving on to two appraisal wells in block 35/9. The Yantai then briefly drilled wells for OMV before completing three further exploration wells for Neptune Energy and PGNIG Upstream Norway AS.

The Deepsea Mira, Deepsea Bollsta and the Hercules all joined the Odfjell Drilling fleet early 2022 and the Group's focus was on reactivation and marketing activities. This has resulted in multiple contracts being agreed for the three rigs, with the Deepsea Bollsta and Deepsea Mira drilling in West Africa and the Hercules drilling Offshore Canada in Q2 2023. All of these contracts are with large international oil companies.

Outlook

During 2022 we saw significantly increased demand due to high energy prices and increased focus on energy security. We expect this demand to further increase following the lack of supply and interest in new builds, as well as a reduction of units across the sector. This trend is particularly relevant in the Norwegian Continental Shelf (NCS), where the number of high-spec units is decreasing as rigs move to global contracts. We believe this trend will be compounded, particularly in 2024, with the commencement of multiple new development projects across the NCS. However, there is normally significant uncertainty linked to assessments of future conditions.

We are also experiencing increased activity outside of the North Sea, resulting in new contracts for the Deepsea Bollsta, Deepsea Mira, and Hercules rigs for projects offshore Africa and Canada. Our fleet of high-spec rigs is capable of operations in most deepsea drilling environments, making us optimistic about increased demand in developing hydrocarbon basins such as Namibia.

Looking at our existing backlog, we have a balanced portfolio of short and long-term contracts, with several of our units being positively exposed to the improving drilling market in the near future. We may see an up tick in activity and potentially higher day rates, particularly from 2024. We are involved in tenders in the North Sea and abroad, and we believe it is likely that new work will be awarded at higher day rates.

Financial Reviews

Consolidated Accounts

(comparable figures in brackets.)

The comparable figures have been represented to show the discontinued operations separately from continuing operations.

Income Statement

Odfjell Drilling generated operating revenue of USD 650 million in 2022 (USD 572 million), an increase of USD 78 million. There is an increase in both segments.

Total operating expenses were USD 513 million (USD 472 million), an increase of USD 41 million. Depreciation and amortisation cost increased by USD 20 million mainly due to leased drilling equipment (right-of-use assets).

The operating profit (EBIT) amounted to USD 137 million (USD 107 million), an increase of USD 30 million. The main contributor is the Own Fleet segment, while the increase in External Fleet is offset by corporate costs.

Net financial expenses amounted to USD 48 million (USD 41 million). The increase of USD 7 million was mainly explained by increased interest expenses related to lease liabilities, and net currency loss in 2022 compared to net currency gain in 2021.

The income tax expense amounted to USD 5.4 million (USD 5.5 million) and the net profit from continuing operations for the Group was USD 83 million (USD 61 million).

The results of discontinued operations are presented separately from the continuing operations as a single amount of profit that amounted to USD 47 million (USD 13 million). The profit includes the results of discontinued operations until distribution, net of tax, which amounted to USD 10 million (USD 11 million). Furthermore, a gain of USD 36 million was recognised when distributing the discontinued operation. The gain equals the fair value of the discontinued operation less the book value of the net assets distributed, adjusted for the cumulative foreign currency translation reserve in Other Comprehensive Income recycled to the income statement.

Net profit was USD 130 million (USD 74 million).

Balance Sheet

Consolidated total assets as at 31 December 2022 amounted to USD 2,219 million (USD 2,515 million).

Total non-current assets amounted to USD 1,949 million (USD 2,147 million).

Current assets amounted to USD 270 million (USD 368 million), of which USD 157 million was cash and cash equivalents (USD 173 million).

Total equity amounted to USD 1,208 million (USD 1,268 million), a decrease of USD 60 million. The equity ratio was 54% (50%).

Total liabilities amounted to USD 1,011 million (USD 1,247 million), reflecting a decrease in interest-bearing borrowings of USD 194 million, mainly due to the disposal of interest bearing debt within the discontinued operations. Net interest bearing debt (excluding lease liabilities) amounted to USD 685 million (USD 863 million). In addition, lease liabilities (*IFRS 16 Leases)* amounting to USD 68 million (USD 46 million).

Cash Flow from continuing operations

Cash flow from operating activities amounted to USD 263 million (USD 216 million). The variance of USD 139 million from EBIT is mainly explained by depreciation and amortisation offset by interest paid.

The cash outflow from investing activities amounted to USD 52 million (USD 71 million), mainly due to capital expenditures.

The cash outflow from financing activities amounted to USD 318 million (cash outflow of USD 186 million). In March 2022 the Odfjell Drilling Services USD 150 million debt facility was repaid. In addition, the Group paid USD 185 million (USD 182 million) in instalments on credit facilities and leases, and dividends of USD 2 million (USD 4 million) were paid to the preference shareholder. Of the USD 95 million proceeds from borrowings, USD 75 million was used as payment for repurchase of the preference shares.

Critical accounting estimates

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

There is use of judgement in the Group's revenue recognition, warrant liability measurement, impairment indicator reviews, evaluation of leases, and considerations related to contingent liabilities.

Please refer to Note - 3 Critical accounting estimates and judgements in the Consolidated Financial Statements for further information.

Parent company accounts

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

The Parent Company reported an operating loss (EBIT) of USD 3.4 million (USD 2.6 million), a negative change of USD 0.8 million mainly due to loss on disposal of subsidiary related to the spin-off.

The Parent Company reported interest income of USD 13 million (USD 10 million), interest expenses of USD 15 million (USD 12 million). The Parent Company recognised dividends from subsidiaries of USD 296.3 million, which was partly offset by impairment of investments in the same subsidiaries of USD 134.7 million.

The Parent Company reported a net profit of USD 153 million (USD 2 million), a positive change of USD 151 million mainly due to reorganisation related to the spin-off.

Total assets in the Parent Company amounted to USD 1,198 million as at 31 December 2022 (USD 1,331 million), a decrease of USD 133 million mainly related to the spin-off.

Equity in the Parent Company amounted to USD 1,074 million (USD 1,045 million), corresponding to an equity ratio of 90% (79%).

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

Cash flow used in investing activities was USD 108 million (cash inflow of USD 38 million). Cash outflow in 2022 was mainly related to loans provided to subsidiaries.

Cash flow from financing activities was USD 111 million (cash outflow of USD 39 million) was mainly due to proceeds from external borrowings of USD 95 million.

Segment reporting

Own Fleet

Operating revenue for the Own Fleet segment was USD 567 million (USD 519 million), an increase of USD 48 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 a 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 was USD 304 million (USD 253 million).

External Fleet

Operating revenue for the External Fleet in 2022 was USD 78 million (USD 50 million), an increase of USD 28 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 OD AS during December 2022.

EBITDA was USD 11 million (USD 5 million), an increase of USD 6 million. The increase is mainly explained by the new additions to the fleet.

Risk review

Operational and industrial risk factors

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

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

Furthermore, as the Group's fully owned fleet currently consists of only four own assets, any operational downtime, or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet. Odfjell Drilling has invested significant time and efforts to maintain a safe, predictable and profitable performance

Factors that, in the Group's view, could affect its results materially include: volatile oil and gas prices, global political changes regarding energy composition, competition within the oil and gas industry, changes in clients' spending budgets, cost inflation and developments in the financial markets and renewables sector.

Financial risk factors

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

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

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

Liquidity risk

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

Odfjell Drilling held cash and cash equivalents amounting to USD 157 million at the end of 2022. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2023.

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

Operating in several jurisdictions, Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 29 Contingencies for information regarding a letter of indemnity and USD 31 million prepayment made in 2023 related to a tax ruling in Norway.

The Group's refinancing risk is considered low. Currently, bank loan facilities are maturing at different times up to June 2024. The Group is considering alternative sources of financing, and has also started dialogue with banks. The Group expects to be successful in securing new or extended financing prior to maturity of the loans. See Note - 17 Interest-bearing borrowings for further information about maturity of contractual amounts.

Market risk

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

The re-contracting risk for the Group's wholly owned mobile drilling units is limited in 2023, as all units in the fleet have medium to long-term contracts.

Foreign exchange risk

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. The Group evaluates the level of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors regularly considers the interest payment hedging of the external financing and mandates administration to execute necessary changes.

Including interest rate swaps entered into, the fixed-rate portion of the Group's interest bearing debt as at 31 December 2022 is approximately 44%.

Credit risk

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

ESG risk

ESG risks are considered in day to day operations, as well as at an enterprise risk level and in line with new legislative requirements. Throughout 2022 efforts were concentrated on the evaluation of human rights risks.

Climate Risk

During 2022, a project was undertaken with external advisors to raise awareness and assess the impacts of climate risks and opportunities. Cross-functional workshops were held to review the impact on the business from both physical and transitional risks in the short, medium and long term, prioritising risks for further deep dives.

The most significant transition risks identified, along with mitigating actions were:

- Changes in fossil energy demand due to policies and consumer behaviour changes, leading to reduced demand for our assets and reduced revenue. This will be factored in to any asset growth decisions and alternative use of assets will be considered
- Cost of and access to capital may go up as banks move to low carbon portfolios, leading to increased interest costs. Consider debt structure and ensure carbon reducing initiatives understood by capital markets

The most significant physical risk identified, along with mitigating actions is:

- Impact of extreme weather offshore on crew and equipment logistics could increase costs and result in downtime. Critical spares analysis and robust planning required as well as protection in commercial contracts

More detail on these risks can be found in our Sustainability Report.

Director & Officer's Liability Insurance

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

Going concern

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

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

Losses incurred by many financial institutions related to 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. 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 expects to be successful in securing new or extended financing prior to maturity of the loans.

Taking all relevant risk factors and available options for financing into consideration, the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Subsequent events

There have been no events after the balance date with material effect for the financial statements ended 31 December 2022.

The Board of Odfjell Drilling Ltd.

19 April 2023, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Financials

Consolidated Group Financial Statements

Consolidated Income Statement

for the year ended 31 December

USD million	Note	2022	2021
Continuing operations			
OPERATING REVENUE	5,6	**649.5**	**572.1**
Other gains and losses	8	0.0	7.3
Personnel expenses	7,19,35	(206.5)	(199.6)
Depreciation and amortisation	10,11	(171.5)	(151.4)
Other operating expenses	8	(135.0)	(121.3)
TOTAL OPERATING EXPENSES		**(513.0)**	**(472.3)**
Operating profit (EBIT)		**136.5**	**107.1**
Interest income		2.8	0.2
Interest expenses	8,17,18	(55.4)	(52.6)
Other financial items	8	4.4	11.9
NET FINANCIAL EXPENSES		**(48.3)**	**(40.6)**
Profit before income tax		**88.3**	**66.5**
Income tax expense	9	(5.4)	(5.5)
Net profit from continuing operations		**82.9**	**60.9**
Profit from discontinued operations	4	46.7	12.9
Net profit		**129.6**	**73.9**

USD million	Note	2022	2021
Profit (loss) attributable to:			
Non-controlling interests		-	(0.5)
Owners of the parent		129.6	74.4
Earnings per share (USD)			
Basic earnings per share	36	0.512	0.278
Diluted earnings per share	36	0.512	0.278
Earnings per share from continuing operations (USD)			
Basic earnings per share	36	0.315	0.221
Diluted earnings per share	36	0.315	0.221

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD million	Note	2022	2021
Net profit		129.6	73.9
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations (net of tax)	9,19	(0.0)	(0.3)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	24	10.0	3.9
Currency translation differences		(8.9)	(3.8)
Reclassification of foreign currency translation reserve	4	27.0	
Other comprehensive income, net of tax		28.0	(0.3)
Total comprehensive income		**157.6**	**73.6**
Total comprehensive income is attributable to:			
Non-controlling interests		-	(0.5)
Owners of the parent		157.6	74.1

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

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

Consolidated Statement of Financial Position

USD million	Note	31.12.2022	31.12.2021
ASSETS			
Property, plant and equipment	10	1,937.9	2,108.9
Intangible assets	11	3.4	28.5
Deferred tax asset	9	0.4	1.3
Investments in joint ventures and associates	32	-	0.5
Derivative financial instruments	13,24	7.5	5.0
Other non-current assets	12	-	2.7
Total non-current assets		**1,949.2**	**2,146.8**
Spare parts		-	2.5
Contract assets	14	8.6	10.2
Trade receivables	15	91.0	154.5
Other current assets	12	13.3	28.0
Cash and cash equivalents	16	157.2	173.0
Total current assets		**270.1**	**368.3**
TOTAL ASSETS		**2,219.3**	**2,515.2**

USD million	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Paid in equity	26	370.2	565.0
Other equity	27	838.3	703.2
Total equity		**1,208.5**	**1,268.2**
Non-current interest-bearing borrowings	17,28	529.0	875.4
Non-current lease liabilities	18	41.7	38.3
Post-employment benefits	19	0.6	6.0
Non-current contract liabilities	14	-	5.6
Derivative financial instruments	13,24	2.8	4.0
Total non-current liabilities		**574.1**	**929.2**
Current interest-bearing borrowings	17,28	313.5	161.1
Current lease liabilities	18	26.5	7.8
Contract liabilities	14	13.7	21.8
Trade payables	20	35.8	43.2
Current income tax	9	5.8	2.7
Other current liabilities	21	41.3	81.2
Total current liabilities		**436.7**	**317.8**
Total liabilities		**1,010.8**	**1,247.0**
TOTAL EQUITY AND LIABILITIES		**2,219.3**	**2,515.2**

The Board of Odfjell Drilling Ltd.

19 April 2023, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Consolidated Statement of Changes in Equity

					Attributable to owners of the parent					Owners equity attributable to:			
USD million	Note	Share capital	Other contributed capital	Treasury shares	Total paid in equity	Other reserves	Retained earnings	Total other equity	Equity attributable to owners of the parent	Common shares	Preference shares	Non-controlling interest	Total equity
BALANCE AT 1 JANUARY 2021	26,27	**2.5**	**562.4**	**-**	**565.0**	**(110.0)**	**742.9**	**632.9**	**1,197.9**	**1,112.6**	**85.2**	**0.6**	**1,198.5**
Profit/(loss) for the period		-	-	-	-	-	74.4	74.4	**74.4**	65.8	8.6	(0.5)	**73.9**
Other comprehensive income for the period		-	-	-	-	0.0	(0.3)	(0.3)	**(0.3)**	(0.3)	-	0.0	**(0.3)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**0.0**	**74.0**	**74.1**	**74.1**	**65.5**	**8.6**	**(0.5)**	**73.6**
Cash dividend to preference shareholders	26	-	-	-	-	-	(4.3)	(4.3)	**(4.3)**	-	(4.3)	-	**(4.3)**
Loss of control of subsidiaries		-	-	-	-	-	-	-	**-**	-	-	(0.1)	**(0.1)**
Cost of share-based option plan	35	-	-	-	-	0.5	-	0.5	**0.5**	0.5	-	-	**0.5**
Transactions with owners		**-**	**-**	**-**	**-**	**0.5**	**(4.3)**	**(3.8)**	**(3.8)**	**0.5**	**(4.3)**	**(0.1)**	**(3.9)**
BALANCE AT 31 DECEMBER 2021	26,27	**2.5**	**562.4**	**-**	**565.0**	**(109.5)**	**812.7**	**703.2**	**1,268.2**	**1,178.6**	**89.5**	**-**	**1,268.2**
Profit/(loss) for the period		-	-	-	-	-	129.6	129.6	**129.6**	121.3	8.3	-	**129.6**
Other comprehensive income for the period		-	-	-	-	28.1	(0.0)	28.0	**28.0**	28.0	-	-	**28.0**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**28.1**	**129.5**	**157.6**	**157.6**	**149.4**	**8.3**	**-**	**157.6**
Distribution of shares in Odfjell Technology Ltd. to common shareholders	4	-	(119.8)	-	(119.8)	-	-	-	**(119.8)**	(119.8)	-	-	**(119.8)**
Cash dividend to preference shareholders	26	-	-	-	-	-	(2.2)	(2.2)	**(2.2)**	-	(2.2)	-	**(2.2)**
Acquisition of treasury preference shares	26	-	(74.8)	(0.2)	(75.0)	-	(20.2)	(20.2)	**(95.2)**	0.4	(95.6)	-	**(95.2)**
Cost of share-based option plan	35	-	-	-	-	0.4	-	0.4	**0.4**	0.4	0.0	-	**0.4**
Settlement of share-based option plan	35	-	-	-	-	(0.5)	-	(0.5)	**(0.5)**	(0.5)	-	-	**(0.5)**
Transactions with owners		**-**	**(194.6)**	**(0.2)**	**(194.8)**	**(0.1)**	**(22.4)**	**(22.5)**	**(217.3)**	**(119.5)**	**(97.8)**	**-**	**(217.3)**
BALANCE AT 31 DECEMBER 2022	26,27	**2.5**	**367.8**	**(0.2)**	**370.2**	**(81.4)**	**919.8**	**838.3**	**1,208.5**	**1,208.5**	**-**	**-**	**1,208.5**

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

Consolidated Statement of Cash Flows

for the year ended 31 December

USD million	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax from continuing operations		88.3	66.5
Profit before tax from discontinued operations		10.3	11.2
Adjustments for:			
Depreciation and amortisation	10,11	173.8	181.9
Change in fair value derivatives		2.9	(8.7)
Net interest expense	8	54.0	53.2
Share of (profit) loss from joint ventures		0.4	0.5
Net (gain) loss on sale of tangible fixed assets		(0.6)	(0.4)
Post-employment benefit expenses less post-employment benefit payments		(0.0)	(1.1)
Net currency loss (gain) not related to operating activities		0.6	2.4
Other provisions and adjustments for non-cash items		1.6	2.4
Changes in working capital:			
Spare parts		(0.4)	(0.5)
Trade receivables and contract assets		(17.1)	2.8
Trade payables		13.3	4.7
Other accruals		(4.7)	(6.8)
Cash generated from operations		**322.4**	**308.1**
Net interest paid		(45.0)	(49.9)
Net income tax paid		(2.1)	(1.7)
Net cash flow from operating activities		**275.2**	**256.5**
-of which from continuing operations		263.0	216.3
-of which from discontinued operations		12.2	40.2

USD million	Note	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	10,11	(66.6)	(102.5)
Proceeds from grants		6.4	4.6
Proceeds from sale of property, plant and equipment		0.9	1.0
Other non-current receivables		(0.1)	(0.0)
Disposal of discontinued operations, net cash disposed of	4	(49.7)	0.0
Cash flows from losing control of subsidiaries		0.0	(0.5)
Cash payments to acquire interests in joint-ventures		(1.8)	0.0
Net cash flow used in investing activities		**(111.0)**	**(97.4)**
-of which from continuing operations		(52.0)	(71.0)
-of which from discontinued operations		(59.0)	(26.4)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	17	241.5	(2.1)
Repayments of borrowings	17	(317.1)	(176.2)
Repayment of lease liabilities	18	(18.6)	(6.1)
Payment acquisition of treasury preference shares	26	(75.2)	0.0
Dividends paid to preference shareholders	26	(2.2)	(4.3)
Net cash flow from financing activities		**(171.6)**	**(188.8)**
-of which from continuing operations		(317.5)	(186.3)
-of which from discontinued operations		145.9	(2.7)
Effects of exchange rate changes on cash and cash equivalents		(8.5)	(4.2)
Net change in cash and cash equivalents		**(15.9)**	**(33.9)**
Cash and cash equivalents at 01.01		173.0	206.9
Cash and cash equivalents at 31.12		**157.2**	**173.0**

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements 2022

All amounts are in USD millions unless otherwise stated

Table of contents

Note 1 General information

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

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

The consolidated financial statements including notes for Odfjell Drilling Ltd. for the year 2022 were approved by the Board of Directors on 19 April 2023.

Note 2 Basis for preparing the consolidated financial statements

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2022 comply with IFRS as endorsed by the European Union (EU).

The consolidated financial statements ended 31 December 2022 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

Going concern

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

Losses incurred by many financial institutions related to 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. 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's refinancing risk is considered low. Currently, bank loan facilities are maturing at different times up to June 2024. The Group is considering alternative sources of financing, in addition to starting dialogue with banks. The Group expects to be successful in securing new or extended financing prior to maturity of the loans.

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

Basis of measurement

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

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

New and amended standards and interpretations effective on 1 January 2022

- *Onerous Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37)*
- *Covid-19-Related Rent Concessions beyond 30 June 2021– amendments to IFRS 16.*

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

Basis of consolidation

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are listed in Note 31.

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

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

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

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

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may indicate that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Any investment retained is recognised at fair value. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

	Average rate		Closing rate as at 31.12	
	2022	2021	2022	2021
NOK	0.10395	0.11631	0.10145	0.11339
GBP	1.23299	1.37556	1.20257	1.34788
EUR	1.05126	1.18325	1.06660	1.13259

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

Statement of cash flows

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

The cash flow statement represents the cash flows for the total Group, including both continuing and discontinued operations. The split between continuing and discontinued operations are presented as separate lines within each category of the cash flow statement.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2022 and not early adopted

Certain new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

- Revenue recognition (Note 6 - Revenue)
- Evaluation of indicators of impairment and/or impairment reversal (Note 10 - Tangible fixed assets)
- Provisions and contingent liabilities (Note 29 - Contingencies)
- Warrant liabilities measured at fair value (Note 13 - Financial assets and liabilities)
- Determination of lease term and estimating the incremental borrowing rate (Note 18 - Leases)

Note 4 Discontinued operations

Spin-off of Odfjell Technology

On 31 January 2022 Odfjell Drilling Ltd announced that it was contemplating spinning off two of its 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.

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 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. No general corporate overhead expenses were allocated to the discontinued operation. Revenue and expenses are not presented as discontinued unless they will cease to be earned/incurred on disposal of the discontinued operation.

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 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	2022	2021
Operating revenue	94.4	342.9
Elimination of inter-segment revenue	(17.4)	(51.2)
External revenue	**77.0**	**291.7**
Other gains / (losses)	0.6	0.7
Personnel expenses	(60.5)	(220.6)
Other operating expenses	(21.2)	(77.9)
Elimination of expenses related to inter-segment sales	17.4	51.2
EBITDA	**13.3**	**45.1**
Depreciation and amortisation	(2.4)	(30.6)
Operating profit (EBIT)	**10.9**	**14.5**
Share of profit (loss) from joint ventures and associates	(0.4)	(0.5)
Net financial items	(0.2)	(2.0)
Elimination of inter-segment financial income	(0.1)	(0.8)
Profit (loss) before tax	**10.3**	**11.2**
Income tax	0.0	1.7
Results of discontinued operations, net of tax	**10.3**	**12.9**
Reclassification of foreign currency translation reserve	(27.0)	-
Gain related to distribution of discontinued operations	63.4	-
Profit (loss) from discontinued operations, net of tax	**46.7**	**12.9**
Basic earnings per share - discontinued operations (USD)	0.197	0.057
Diluted earnings per share - discontinued operations (USD)	0.197	0.057

Cash flow from (used in) discontinued operations

USD million	2022	2021
Net cash generated from operating activities	12.2	40.2
Net cash used in investing activities	(59.0)	(26.4)
Net cash generated from / (used in) financing activities	145.9	(2.5)
Net cash flows	**99.1**	**11.3**

Effect of disposal on the financial position of the Group

USD million	2022
Property, plant and equipment	(106.0)
Intangible assets	(26.7)
Deferred tax asset	(1.8)
Investments in joint ventures and associates	(1.9)
Other non-current assets	(2.7)
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
Net assets and liabilities	**(56.4)**
Cash and cash equivalents disposed of	(49.7)
Net cash outflows	**(49.7)**

Note 5 Segment summary

Accounting policy

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

Segment reporting

The Group provides drilling and related services to oil and gas companies. The group owned four mobile offshore 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 mobile offshore 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.

	Own Fleet		External Fleet		Corporate / other		Consolidated	
USD million	2022	2021	2022	2021	2022	2021	2022	2021
External segment revenue	567.3	519.4	78.0	50.0	4.3	2.7	**649.5**	572.1
Inter segment revenue	-	-	-	-	-	-	**-**	-
TOTAL REVENUE	**567.3**	**519.4**	**78.0**	**50.0**	**4.3**	**2.7**	**649.5**	**572.1**
EBITDA	**303.9**	**253.4**	**11.0**	**5.2**	**(7.0)**	**(0.1)**	**308.0**	**258.4**
Depreciation and amortisation	(167.1)	(149.0)	-	-	(4.4)	(2.4)	**(171.5)**	(151.4)
EBIT	**136.9**	**104.4**	**11.0**	**5.2**	**(11.3)**	**(2.5)**	**136.5**	**107.1**
Net financial items							**(48.3)**	(40.6)
PROFIT / (LOSS) BEFORE TAX - CONSOLIDATED GROUP							**88.3**	**66.5**

Note 6 Revenue

Accounting policy - Revenue recognition

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

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

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

Group as a lessor

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

Significant judgement and estimation uncertainty

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

Own Fleet

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

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

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

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

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

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

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

Day rate considerations in the drilling operation period are attributed to the period to which the drilling operations are performed, and recognised as revenue in the same period. Other compensations, as described above, are allocated to the contract and recognised as revenue on a straight-line basis over the drilling operation period. Refer to Note 14 - Contract balances. Bonuses and other variable or conditional service fees are allocated to either the entire drilling operation period or to individual periods during the contract (using the series of services guidance in IFRS 15) depending on what the variable contract revenue relates to.

The costs to prepare the rig for contract and the cost for mobilisation of the rig to the drilling location, are capitalised as *Assets from contract costs* and expensed as operating cost over the drilling operations period. Refer to Note 14 - Contract balances. Demobilisation expenses are expensed as incurred.

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. The transaction price is mainly day rate based management fees, usually payable on a monthly basis. Refer to Note 14 - Contract balances for payment terms related to the management agreement for Deepsea Yantai. The payment terms do not contain any significant financing components. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

Revenue specification

USD million	2022	2021
Revenue from contracts with customers (IFRS 15)	393.7	390.7
Lease component in MODU contracts	255.2	180.6
Other operating revenue	0.6	0.8
Operating revenue	**649.5**	**572.1**

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

USD million	2022	2021
Customer 1	375.6	145.7
Customer 2	129.2	164.5

Disaggregation of revenue by primary geographical markets

	Own Fleet		External Fleet		Corporate / Other		Consolidated	
USD million	2022	2021	2022	2021	2022	2021	2022	2021
Norway	567.3	519.4	74.9	50.0	4.3	2.7	**646.4**	572.1
Namibia	-	-	3.1	-	-	-	**3.1**	-
Total operating revenue	**567.3**	**519.4**	**78.0**	**50.0**	**4.3**	**2.7**	**649.5**	**572.1**

Performance obligations in contracts

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

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

USD million	Future minimum lease payments	Performance obligations	Total firm backlog
Within one year	223	227	**450**
Between one and two years	115	105	**220**
Between two and three years	74	61	**135**
Between three and four years	74	61	**135**
Between four and five years	74	61	**135**
After five years	149	122	**271**
Total	**708**	**637**	**1,345**

Note 7 Personnel Expenses

USD million	Note	2022	2021
Salaries and wages		152.9	153.0
Employer`s national insurance contributions		23.6	23.2
Pension expenses	19	13.2	11.0
Cost of share-based option plan	35	0.4	0.5
Other benefits		6.0	7.4
Hired personnel		10.4	5.2
Capitalised personnel expenses *		-	(0.7)
Total personnel expenses		**206.5**	**199.6**

** Capitalised personnel expenses for the year 2021 relates to cost capitalised as part of additions to tangible fixed assets.*

	2022	2021
No. of employees (annual average)	1,240	1,106

Note 8 Combined items, income statement

Other gains and losses

USD million	2022	2021
Distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association *	-	7.3
Net gain on disposal of tangible fixed assets	0.0	(0.1)
Other gains and losses	**0.0**	**7.3**

* *Due to an improved capital position, The Norwegian Shipowners' Mutual War Risks Insurance Association resolved to distribute USD 300 million to its members.*

Other operating expenses

USD million	Note	2022	2021
Hired services		45.1	46.4
Hired equipment		27.9	17.3
Repair and maintenance, inspection, tools, fixtures and fittings		35.3	38.0
Insurance		3.6	3.6
Freight and transport		2.2	2.7
Premises facility expenses		1.7	1.3
Travel and course expenses		9.7	7.3
Other operating and administrative expenses		5.4	0.6
Capitalised contract cost	14	(0.7)	-
Amortised other operating contract cost	14	4.9	4.2
Total other operating expenses		**135.0**	**121.3**

Accounting policy - Borrowing costs

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

Interest expenses

USD million	Note	2022	2021
Interest expenses borrowings		44.4	47.3
Amortised transaction costs borrowings *	17	6.3	3.3
Interest expenses lease liabilities	18	4.2	2.0
Other interest expenses		0.6	0.1
Total interest expenses		**55.4**	**52.6**

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

Other financial items

USD million	Note	2022	2021
Net currency gain / (loss)		(3.6)	3.1
Other financial income		-	0.0
Gain from settlement of interest rate swaps	24	13.7	-
Change in value of market-based derivatives *	24	(4.5)	8.7
Other financial expenses		(1.2)	0.0
Total other financial items		**4.4**	**11.9**

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

Note 9 Income Taxes

Accounting policy

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

Income tax expense

USD million	2022	2021
Withholding taxes paid / payable	(0.5)	(1.8)
Payable taxes	(5.7)	(2.2)
Change in deferred tax	0.8	0.2
Total income tax expense	**(5.4)**	**(3.8)**
Effective tax rate	5.5 %	4.9 %
Income tax expense in attributable to:		
Profit from continuing operations	(5.4)	(5.5)
Profit from discontinued operation	0.0	1.7

Tax reconciliation

USD million	2022	2021
Profit from continuing operations before income tax expense	88.3	66.5
Profit from discontinued operation before income tax expense	10.3	11.2
Total profit before income tax expense	**98.5**	**77.7**
Tax calculated at domestic tax rates applicable to profits in respective countries* (including withholding tax)	0.5	(7.1)
Net utilisation of unrecognised tax losses	-	7.6
Effect of changes in tax rates	-	0.0
Effect of adjustments recognised related to prior periods	(0.3)	(1.1)
Effect of net non-taxable income / (expenses) **	(5.6)	(3.2)
Total income tax expense	**(5.4)**	**(3.8)**

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

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

Tax losses

USD million	31.12.2022	31.12.2021
Unused tax losses for which no deferred tax asset has been recognised	-	108.3
Potential tax benefit 22%	**-**	**23.9**

The movement in unrecognised tax assets is as follows:

USD million	2022	2021
Unrecognised tax asset as at 01.01	23.9	32.5
Net utilisation of unrecognised tax losses	-	(7.6)
Effect of changes in tax rates	-	(0.1)
Disposal through distribution of operation to shareholders	(23.9)	-
Currency translation differences	-	(1.0)
Unrecognised tax asset as at 31.12	**-**	**23.9**

Refer to Note 29 Contingencies for information regarding letter of indemnity and payment made in 2023 in relation to the Odfjell Offshore Ltd tax case.

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

USD million	2022	2021
Net deferred tax assets/(deferred tax liabilities) at 01.01	1.3	1.0
Income statement charge	0.8	0.2
Change in deferred tax on other comprehensive income	0.0	0.1
Disposal through distribution of operation to shareholders	(1.8)	-
Currency translation differences	0.1	(0.0)
Net deferred tax assets/(deferred tax liabilities) at 31.12	**0.4**	**1.3**

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

Deferred tax assets - Specification and movements

USD million	Tax losses	Current assets	Net pension liabilities	Fixed assets	Lease liabilities	Total
Opening balance 01.01.2021	0.0	0.2	1.5	0.3	9.5	**11.6**
Income statement charge	(0.0)	(0.0)	(0.3)	0.0	0.7	**0.4**
Change in deferred tax on other comprehensive income	-	-	0.1	-	-	**0.1**
Currency translation differences	0.0	(0.0)	(0.0)	(0.0)	(0.3)	**(0.4)**
Closing balance 31.12.2021	**-**	**0.2**	**1.3**	**0.4**	**9.8**	**11.7**
Income statement charge	-	-	(0.0)	(0.0)	6.0	**6.0**
Change in deferred tax on other comprehensive income	-	-	0.0	-	-	**0.0**
Disposal through distribution of operations to shareholders	-	(0.2)	(1.2)	(0.3)	(2.4)	**(4.1)**
Currency translation differences	-	-	(0.0)	(0.0)	(0.9)	**(0.9)**
Closing balance 31.12.2022	**-**	**-**	**0.1**	**-**	**12.5**	**12.7**

Deferred tax liabilities - Specification and movements

USD thousands	Deferred capital gains	Fixed assets	Right-of-use Assets	Total
Opening balance 01.01.2020	(1.5)	-	(9.1)	**(10.5)**
Income statement charge	0.3	-	(0.5)	**(0.2)**
Currency translation differences	0.0	-	0.3	**0.4**
Closing balance 31.12.2021	**(1.2)**	**-**	**(9.2)**	**(10.4)**
Income statement charge	0.2	(0.1)	(5.3)	**(5.1)**
Disposal through distribution of operations to shareholders	0.0		2.3	**2.3**
Currency translation differences	0.1	-	0.9	**1.0**
Closing balance 31.12.2022	**(0.8)**	**(0.1)**	**(11.4)**	**(12.3)**

Net book value of deferred taxes

USD million	2022	2021
Deferred tax assets	12.7	11.7
Deferred tax liabilities offset in deferred tax assets	(12.3)	(10.4)
Net book value of deferred tax asset at 31.12.	**0.4**	**1.3**

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

USD million	Before tax 2022	Tax (charge)/ credit 2022	After tax 2022	Before tax 2021	Tax (charge)/ credit 2021	After tax 2021
Actuarial loss on post employment benefit obligations	**(0.1)**	**0.0**	**(0.0)**	(0.4)	0.1	(0.3)
Other comprehensive income	**(0.1)**	**0.0**	**(0.0)**	**(0.4)**	**0.1**	**(0.3)**
Deferred tax		**0.0**			0.1	

Note 10 Tangible fixed assets

Accounting policy

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

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

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

The cost of modernisation and rebuilding projects is included in the asset's carrying amount when it is probable that the Group will derive future financial benefits and the cost of the item can be measured reliably. The carrying amount of the replaced part is written off. Modernisation and rebuilding projects are depreciated over the remaining useful life of the related assets.

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

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

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

Rig and equipment are depreciated over a period from 5 to 30 years. Periodic maintenance is depreciated over the expected period until next docking, estimated as 5 years. Estimated useful life for operating drilling equipment is 3 to 10 years.

Newbuild in progress

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

Government grants

Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received.

Investment grants are capitalised and recognised systematically over the asset's useful life. Investment grants are recognised as a deduction of the asset's carrying amount.

Impairment of non-financial assets

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

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

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

Non-financial assets, other than goodwill, that have suffered an impairment, are reviewed for reversal of the impairment whenever events or changes in circumstances indicate that the impairment loss recognised in prior periods may no longer exist or may have decreased.

Assets subject to operating leases

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

Specification and movements 2022

USD million	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2022	2,945.3	171.7	407.7	21.6	60.0	3,606.2
Additions	33.9	13.9	7.3	1.9	42.0	99.0
Additions due to previously eliminated inter-segment leases	-	-	-	-	16.6	16.6
Disposal	-	(0.4)	(2.5)	(0.2)	(1.3)	(4.3)
Disposal through distribution of operations to shareholders	-	-	(413.4)	(21.3)	(18.2)	(452.8)
Currency translation differences	-	-	0.9	0.1	(5.3)	(4.3)
Cost as at 31 December 2022	**2,979.1**	**185.2**	**-**	**2.2**	**93.9**	**3,260.3**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	(1,071.2)	(69.5)	(321.9)	(18.2)	(16.5)	(1,497.3)
Depreciation from continuing operations	(112.6)	(39.0)		(0.2)	(19.5)	(171.3)
Depreciation from discontinued operations	-	-	(2.0)	(0.1)	(0.2)	(2.3)
Adjustments due to previously eliminated inter-segment leases	-	-	-	-	(2.7)	(2.7)
Disposals	-	0.4	2.2	0.1	1.3	4.0
Disposal through distribution of operations to shareholders	-	-	322.6	18.1	6.2	346.8
Currency translation differences	-	-	(0.9)	(0.1)	1.4	0.4
As at 31 December 2022	**(1,183.8)**	**(108.1)**	**-**	**(0.5)**	**(30.1)**	**(1,322.4)**
NET BOOK VALUE AT 31 DECEMBER 2022	**1,795.3**	**77.1**	**-**	**1.7**	**63.8**	**1,937.9**
Useful lifetime	*5 - 30 years*	*5 years*	*3 - 10 years*	*3 - 5 years*	*2-12 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	*Straight line*	*Straight line*	

Specification and movements 2021

USD million	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2021	2,931.3	158.5	376.6	21.5	56.1	3,543.9
Additions	45.3	13.2	15.2	1.9	9.1	84.7
Reclassifications *	(24.5)	-	24.5	-	-	-
Disposals	(6.9)	-	(7.2)	(1.1)	(3.2)	(18.3)
Currency translation differences	-	-	(1.4)	(0.7)	(2.0)	(4.2)
Cost as at 31 December 2021	**2,945.3**	**171.7**	**407.7**	**21.6**	**60.0**	**3,606.2**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	(965.8)	(34.9)	(307.8)	(18.6)	(13.5)	(1,340.5)
Depreciation from continuing operations	(112.2)	(34.6)	-	(0.1)	(4.4)	(151.3)
Depreciation from discontinued operations	-	-	(22.2)	(1.1)	(2.4)	(25.8)
Reclassifications	-	-	-	-	-	-
Disposals	6.8	-	6.8	1.0	3.2	17.7
Currency translation differences	-	-	1.4	0.6	0.6	2.5
As at 31 December 2021	**(1,071.2)**	**(69.5)**	**(321.9)**	**(18.2)**	**(16.5)**	**(1,497.3)**
NET BOOK VALUE AT 31 DECEMBER 2021	**1,874.1**	**102.2**	**85.8**	**3.4**	**43.4**	**2,108.9**
Useful lifetime	*5 - 30 years*	*5 years*	*3 - 10 years*	*3 - 5 years*	*2-12 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	*Straight line*	*Straight line*	

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

Accumulated impairment that may qualify for reversal in a later period related to the mobile drilling units Deepsea Atlantic and Deepsea Stavanger amount to USD 148 million at 31 December 2022.

For more information about Right-of-use assets, refer to Note 18 - Leases.

Grants received

The Group have received USD 6.4 million from the Norwegian NOx fund in 2022 (USD 4.6 million in 2021). The grants are recognised as a deduction of additions presented in the table above.

Depreciation drilling units

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

The group evaluates remaining useful lifetime and residual values taking into account current and expected climate risk, and the shift to renewable energy sources.

Significant judgement and estimation uncertainty

Management exercises significant judgement in determining whether there are any indicators of impairment or reversal of impairment. Management evaluates both external and internal sources of information in the indicator assessments. The assessments include estimated effects of the climate change and the shift to renewable energy sources

Odfjell Drilling has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2022.

Note 11 Intangible assets

Accounting policy - Goodwill and Intangible assets

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

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

Accounting policy - Research and development costs

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

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

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

Specification and movements 2022

USD million	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2022	18.4	28.0	2.1	1.3	49.8
Additions	-	1.7	-	-	1.7
Disposal through distribution of operations to shareholders	(15.4)	(29.5)	(2.1)	(1.3)	(48.4)
Currency translation differences	(0.0)	0.6	-	-	0.6
Cost as at 31 December 2022	**3.0**	**0.7**	**-**	**-**	**3.6**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2022	-	(20.1)	(0.4)	(0.7)	(21.3)
Amortisation from continuing operations	-	(0.2)	-		(0.2)
Amortisation from discontinued operations	-	(0.1)	(0.0)	(0.0)	(0.1)
Disposal through distribution of operations to shareholders	-	20.6	0.5	0.7	21.7
Currency translation differences	-	(0.4)	-	-	(0.4)
As at 31 December 2022	**-**	**(0.3)**	**-**	**-**	**(0.3)**
NET BOOK VALUE AT 31 DECEMBER 2022	**3.0**	**0.4**	**-**	**-**	**3.4**
Useful lifetime		*3-7 years*			
Depreciation schedule		*Straight line*			

Specification and movements 2021

USD million	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2021	19.7	23.2	1.7	1.3	45.9
Additions	-	5.6	0.5	0.0	6.1
Disposal at loss of control of subsidiary	(0.8)	-	-	-	(0.8)
Currency translation differences	(0.6)	(0.9)	-	-	(1.5)
Cost as at 31 December 2021	**18.4**	**28.0**	**2.1**	**1.3**	**49.8**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2021	-	(16.5)	(0.2)	(0.4)	(17.0)
Amortisation from continuing operations	-	(0.1)	-	-	(0.1)
Amortisation from discontinued operations	-	(4.2)	(0.3)	(0.3)	(4.8)
Currency translation differences	-	0.6	-		0.6
As at 31 December 2021	**-**	**(20.1)**	**(0.4)**	**(0.7)**	**(21.3)**
NET BOOK VALUE AT 31 DECEMBER 2021	**18.4**	**7.8**	**1.7**	**0.7**	**28.5**
Useful lifetime		*3-7 years*	*5-10 years*	*10 years*	
Depreciation schedule		*Straight line*	*Straight line*	*Straight line*	

Impairment tests for goodwill – Accounting principle

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

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

Summary of goodwill allocation for each operating segment

	External Fleet	
USD million	2022	2021
At 1 January	3.3	3.4
Translation differences	(0.3)	(0.1)
Net book value at 31 December	**3.0**	**3.3**

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.

These assumptions have been used for the analysis of each CGU within the operating segment.

Key assumptions for value-in-use calculations	External Fleet	
	2022	2021
EBITDA margin in prognosis period	17% - 21%	11% - 15%
Growth rate year 6 and forward	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10%	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 for each of the segments.

None of the other scenarios indicated any impairment write-down of goodwill as at 31 December 2022.

Note 12 Other assets

Other non-current assets

USD million	31.12.2022	31.12.2021
Deposits	-	2.7
Total other non-current assets	**-**	**2.7**

Other current assets

USD million	Note	31.12.2022	31.12.2021
Derivative financial instruments	24	2.4	0.6
Prepaid expenses		4.3	9.4
Assets from contract costs	14	3.7	7.3
Income tax receivables		0.1	3.0
VAT receivables		1.8	3.4
Other current receivables		0.9	4.4
Total other current assets		**13.3**	**28.0**

Note 13 Financial assets and liabilities

Accounting policies

Financial instruments

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

Financial assets

The Group classify financial assets in the following categories:

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

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

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

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

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

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

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

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

Financial liabilities

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

- fair value through profit or loss,
- amortised cost, or as
- derivatives designated as hedging instruments in an effective hedge.

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

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

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

The loans and borrowings category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Refer to further information in Note 17 - Interest-bearing borrowings.

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

Offsetting of financial instruments

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

Fair value measurement

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

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

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

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

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

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

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

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

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

Significant judgement and estimation uncertainty

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. Changes in parameters such as volatility of share price, risk-free interest rate etc. could have substantial impacts on the estimated warrant liability. See further information about the warrant liability and assumptions applied in Note 24 Market risk.

Financial instruments by category and level

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

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

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives held at fair value through profit or loss and hedging derivatives comprise interest rate swaps and foreign exchange agreements. Interest rate swaps and foreign exchange agreements are fair valued using forward rates extracted from observable yield curves. Interest rate swaps and foreign exchange agreements are recognised according to mark-to-market reports from external financial institutions.

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made 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 in Note 24. Changes in book value relate to fair value changes.

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

USD million	Note	Level	31.12.2022	31.12.2021
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current assets	24	2	-	5.0
- Foreign exchange forward contracts - Other current assets	24	2	2.4	-
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	24	2	7.5	-
- Foreign exchange forward contracts - Other current assets	24	2		0.6
OTHER FINANCIAL ASSETS				
Other non-current receivables	12		-	2.7
Contract assets	14		8.6	10.2
Trade receivables	15		91.0	154.5
Other current receivables	12		0.9	4.4
Cash and cash equivalents	16		157.2	173.0
Total assets as at 31.12			**267.7**	**350.4**

USD million	Note	Level	31.12.2022	31.12.2021
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	24	2	-	3.0
Warrant liabilities - Other non-current liabilities	24	3	2.8	1.0
OTHER FINANCIAL LIABILITIES				
- Non-current interest-bearing borrowings	17		529.0	875.4
- Current interest-bearing borrowings	17		313.5	161.1
- Non-current lease liabilities	18		41.7	38.3
- Current lease liabilities	18		26.5	7.8
- Trade payables			35.8	43.2
- Other current liabilities	21		27.9	56.6
Total liabilities as at 31.12.			**977.2**	**1,186.3**

The fair value of financial assets and liabilities at amortised cost is not materially different from their carrying amount.

Note 14 Contract balances

Accounting policies - Contract assets

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

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

Accounting policies - Contract liabilities

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

Contract balances specification

USD million	31.12.2022	31.12.2021
Contract assets	8.6	10.2
Contract liabilities	(13.7)	(27.4)

The contract assets as at 31 December 2022 and 31 December 2021 are mainly related to the management agreement with CIMC Raffles regarding management and operation of the Deepsea Yantai. Accrued revenue for the services provided during transit and first mobilisation is payable at the expiry or the termination of the management agreement, or will be offset in the purchase price of the rig, should Odfjell Drilling purchase the unit.

Of the Contract liabilities as at 31 December 2021, approximately USD 22 million relates to Own Fleet drilling contracts, and will be recognised as revenue over the contracts' drilling periods. Approximately USD 5 million relates to the discontinued operations.

Set out below is the amount of revenue recognised from:

USD million	2022	2021
Amounts included in contract liabilities at the beginning of the year	15.6	12.6
Performance obligations satisfied in the previous years	3.3	2.7

Assets from contract costs

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

The asset from contract costs as at 31 December 2022 is mainly related to drilling operations to be performed by the mobile drilling unit Deepsea Aberdeen under the contract with Equinor, and consisted of cost incurred regarding this specific drilling contract, including modification projects that does not meet requirements for classification as fixed assets. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

USD million	Note	2022	2021
Asset recognised at 31 December from costs incurred to fulfil a contract	12	3.7	7.3
Amortisation recognised as cost of providing services during the period		4.9	4.2

Note 15 Trade receivables

Accounting policy

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

Trade receivables are financial assets and are recognised and measured according to accounting policies described in Note 13 - Financial assets and liabilities.

Trade receivables specification

USD million	Note	31.12.2022	31.12.2021
Trade receivables		47.4	103.1
Earned, not yet invoiced operating revenues		43.7	52.8
Loss allowance	26	-	(1.4)
Trade receivables - net		**91.0**	**154.5**

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

For information about currencies, ageing and loss allowance, refer to Note 25 - Credit risk.

Note 16 Cash and cash equivalents

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

USD million	31.12.2022	31.12.2021
Cash in bank	46.2	83.6
Time deposits	89.4	63.5
Retention accounts *	13.2	11.9
Restricted bank deposits **	8.4	14.0
Total cash and cash equivalents	**157.2**	**173.0**

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

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

Note 17 Interest-bearing borrowings

Accounting policy

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

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

Also refer to accounting policies regarding *Financial liabilities* in Note 13 - Financial assets and liabilities.

Interest-bearing borrowings specification as at 31 December

USD million	Non-current 2022	Current 2022	Total 2022	Non-current 2021	Current 2021	Total 2021
Borrowings	483.5	289.9	773.4	839.3	156.2	995.5
Transaction cost, unamortised	(3.3)	(1.8)	(5.1)	(11.3)	-	(11.3)
Seller's credit	48.8	20.0	68.8	47.4	-	47.4
Accrued interest expenses	-	5.4	5.4	-	4.8	4.8
Carrying amounts interest-bearing borrowings	**529.0**	**313.5**	**842.5**	**875.4**	**161.1**	**1,036.4**

Movements in interest-bearing borrowings

USD million	Non-current 2022	Current 2022	Total 2022	Non-current 2021	Current 2021	Total 2021
Carrying amount as at 1 January	875.4	161.1	1,036.4	695.8	515.8	1,211.6
CASH FLOWS:						
New borrowings	219.2	25.0	244.2	-	-	-
Paid transaction costs related to amendments and new borrowings	(2.2)	(0.6)	(2.7)	(2.1)	-	(2.1)
Repayment bank loan	(125.0)	(192.1)	(317.1)	-	(176.2)	(176.2)
NON-CASH FLOWS:						
Disposal through distribution of operations to shareholders	(125.3)	(25.6)	(150.9)	-	-	-
Seller's Credit	20.0	-	20.0	-	-	-
Reclassified	(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		-	-
Carrying amount as at 31 December	**529.0**	**313.5**	**842.5**	**875.4**	**161.1**	**1,036.4**

Repayment schedule for interest-bearing borrowings as at 31 December

USD million	Non-current 2022	Current 2022	Total 2022	Non-current 2021	Current 2021	Total 2021
Maturity within 3 months	-	19.6	19.6	-	26.1	26.1
Maturity between 3 and 6 months	-	45.6	45.6	-	52.1	52.1
Maturity between 6 and 9 months	-	19.6	19.6	-	26.1	26.1
Maturity between 9 months and 1 year	-	225.2	225.2	-	52.1	52.1
Maturity between 1 and 2 years	437.3	-	437.3	445.8	-	445.8
Maturity between 2 and 3 years	95.0	-	95.0	440.9	-	440.9
Maturity between 3 and 4 years	-	-	-	-	-	-
Maturity between 4 and 5 years	-	-	-	-	-	-
Maturity beyond 5 years	-	-	-	-	-	-
Total contractual amounts	**532.3**	**309.9**	**842.2**	**886.7**	**156.2**	**1,042.9**

Refer to Note 23 and Note 24 for further information regarding liquidity risk and interest risk.

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 4 Discontinued operations for further information regarding changes related to the spin-off in 2022.

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.

The Odfjell Invest Ltd. facilities

Remaining contractual amount for the senior bank facility of USD 231.5 million and USD 100 million for the junior facility as at 31 December 2022.

29 November 2022 a repayment of USD 32 million was made to a single lender in the senior bank facility, thereby settling the outstanding balance to that single lender.

A related interest rate swap was terminated 30 November 2022 with a cash amount of USD 1.6 million being received by Odfjell Invest Ltd.

The Odfjell Rig III Ltd. facility

Remaining contractual amount of USD 133 million as at 31 December 2022.

The Odfjell Rig V Ltd. facility

Remaining contractual amount of USD 214 million as at 31 December 2022 for the bank facility.

The Odfjell Rig V Ltd. seller's credit

Seller's credit, including capitalized interest amount to USD 49 million as at 31 December 2022.

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

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

Available drawing facilities

The group has no available not drawn facilities as per 31 December 2022.

Compliance with financial covenants as at 31.12.2022

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

Financial covenants

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

Group covenants

The Odfjell Drilling Group has agreed on the bank facilities to maintain:

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

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

The bank facility agreements further contain customary default and cross-default provisions.

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

Odfjell Invest Ltd – USD 425 million facility

Odfjell Drilling may pay dividends in an amount up to 50% of its net income in its previous financial year.

Odfjell Invest Ltd – USD 100 million junior facility

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

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

Odfjell Rig III Ltd – USD 530 million facility

Payment of dividends from Odfjell Drilling Ltd., on ordinary shares shall be limited to 50% of its net income, provided that the lenders and Eksfin have on each occasion given their prior written consent.

Odfjell Rig V Ltd - USD 325 million facility

Dividends on ordinary shares shall be limited to 50% of its net income.

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

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

Odfjell Drilling Ltd - USD 95 million Direct loan

Direct loan of USD 95 million granted to Odfjell Drilling Ltd. in November 2022 by undisclosed client. There is a minimum equity ratio (on consolidated basis) covenant of minimum 35%.

Odfjell Rig Owning Ltd. – USD 20 million seller's credit from Akastor

Unsecured Seller credit from Akastor of USD 20 million granted to Odfjell Rig Owning Ltd by Akastor in November 2022 The facility contains covenants that are customary for these types of facilities.

Note 18 Leases

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

This note relates to the Group as a lessee only.

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

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

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

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

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

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

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

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

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

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

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

Significant judgement and estimation uncertainty

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

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

The balance sheet shows the following amounts related to leases:

USD million	Properties 2022	Other fixed assets 2022	Total Right-of-use assets 2022	Properties 2021	Other fixed assets 2021	Total Right-of-use assets 2021
COST						
At 1 January	60.0	-	**60.0**	56.1	-	**56.1**
Additions	3.8	38.2	**42.0**	9.1	-	**9.1**
Additions due to previously eliminated inter-segment leases	-	16.6	**16.6**	-	-	**-**
Disposals	-	(1.3)	**(1.3)**	(3.2)	-	**(3.2)**
Disposal through distribution of operations to shareholders	(18.2)	-	**(18.2)**	-	-	**-**
Currency translation differences	(4.5)	(0.8)	**(5.3)**	(2.0)	-	**(2.0)**
Cost as at 31 December	**41.2**	**52.7**	**93.9**	**60.0**	**-**	**60.0**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January	(16.5)	-	**(16.5)**	(13.5)	-	**(13.5)**
Depreciation from continuing operations	(3.6)	(15.8)	**(19.5)**	(4.4)	-	**(4.4)**
Depreciation from discontinued operations	(0.2)	-	**(0.2)**	(2.4)		**(2.4)**
Adjustments due to previously eliminated inter-segment leases	-	(2.7)	**(2.7)**			
Disposals	-	1.3	**1.3**	3.2	-	**3.2**
Disposal through distribution of operations to shareholders	6.2	-	**6.2**	-	-	**-**
Currency translation differences	1.2	0.2	**1.4**	0.6	-	**0.6**
As at 31 December	**(13.0)**	**(17.0)**	**(30.1)**	**(16.5)**	**-**	**(16.5)**
NET BOOK VALUE AT 31 DECEMBER	**28.1**	**35.7**	**63.8**	**43.4**	**-**	**43.4**

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

Lease liabilities

USD million	31.12.2022	31.12.2021
Non-current	41.7	38.3
Current	26.5	7.8
Total	**68.2**	**46.1**

Movements in lease liabilities are analysed as follows:

USD million	Non-current 2022	Current 2022	Total 2022	Non-current 2021	Current 2021	Total 2021
Carrying amount as at 1 January	38.3	7.8	**46.1**	36.9	7.6	**44.6**
CASH FLOWS:						
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)**
NON-CASH FLOWS:						
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	(9.4)	(2.6)	**(12.0)**	-	-	**-**
Interest expense on lease liabilities	4.3	-	**4.3**	2.6	-	**2.6**
Reclassified	(45.4)	45.4	**-**	(9.1)	9.1	**-**
Currency exchange differences	(2.1)	(1.1)	**(3.2)**	(1.3)	(0.3)	**(1.5)**
Carrying amount as at 31 December	**41.7**	**26.5**	**68.2**	**38.3**	**7.8**	**46.1**

Rental costs for exemptions

USD million	2022	2021
Expenses relating to short-term leases	20.4	14.6
Expenses relating to low value items	-	-

Extension and termination options

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

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

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

As at 31 December 2022, potential future cash outflows of USD 64 million (not discounted) have not been included in the lease liability because it is not reasonable certain that these leases will be extended (or not terminated).

Note 19 Post-employment benefits

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

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

Pension obligations

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

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

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

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

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

Mortality index used in actuarial calculations is K2013.

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

Defined benefit pension plans

The Group has funded defined benefit pension schemes in one Norwegian company (five companies as at 31 December 2021) covering a total of 9 active members and 19 pensioners as at 31 December 2021 (43 active members and 31 pensioners as at 31 December 2021). The scheme entitles employees to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company.

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

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

Movements in the net defined benefit obligation

USD million	Present value of obligation 2022	Fair value of plan assets 2022	Total 2022	Present value of obligation 2021	Fair value of plan assets 2021	Total 2021
At 1 January	26.1	(20.1)	**6.0**	25.7	(18.8)	**6.9**
Current service cost	0.5	-	**0.5**	1.1	-	**1.1**
Loss on plan amendment, curtailment and settlement	-	-	**-**	-	-	**-**
Interest expense/A7(income)	0.2	(0.1)	**0.0**	0.4	(0.3)	**0.1**
Total amount recognised in profit or loss	**0.7**	**(0.1)**	**0.5**	**1.5**	**(0.3)**	**1.2**
Re-measurements:						
(Gain)/loss from change in discount rate	(1.6)	-	**(1.6)**	-	-	**-**
(Gain)/loss from change in other financial assumptions	1.5	(0.1)	**1.4**	0.7	-	**0.7**
Experience (gain)/loss	(0.7)	1.0	**0.2**	(0.0)	(0.4)	**(0.5)**
Investment management cost	-	0.1	**0.1**	-	0.2	**0.2**
Total amount recognised in other comprehensive income	**(0.9)**	**0.9**	**0.1**	**0.7**	**(0.3)**	**0.4**
Exchange differences	(0.6)	0.3	**(0.3)**	(0.8)	0.7	**(0.2)**
Contributions:						
Employers	(0.0)	(0.3)	**(0.4)**	(0.2)	(1.7)	**(1.9)**
Payments from plans:			**-**			**-**
Benefit payments	(0.2)	0.2	**-**	(0.7)	0.3	**(0.4)**
Settlements	-	-	**-**	-	-	**-**
Disposal through distribution of operations to shareholders	(17.6)	12.2	**(5.4)**	-	-	**-**
At 31 December	**7.4**	**(6.8)**	**0.6**	**26.1**	**(20.1)**	**6.0**

Estimated premium payments to funded defined benefit obligations in 2023 amounts to about USD 0.4 million.

Amounts recognised in Statement of Financial Position

USD million	31.12.2022	31.12.2021
Present value of funded obligations	7.4	23.3
Fair value of plan assets	(6.8)	(20.1)
Deficit of funded plans	**0.6**	**3.3**
Present value of unfunded obligations	-	2.7
Total deficit of defined benefit pension plans	**0.6**	**6.0**

The significant actuarial assumptions were as follows:

	31.12.2022	31.12.2021
Discount rate	3.20%	1.50%
Salary growth rate	3.75%	2.50%
Expected growth in G (base social security amount)	3.50%	2.25%
Pension growth rate	1.7%-3.5%	0.0%-2.25%

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

	Change in assumption by:	Impact on Present value of obligation: 31.12.2022	31.12.2021	Change in assumption by:	Impact on Present value of obligation: 31.12.2022	31.12.2021
Discount rate	+0.5%	(0.4)	(1.7)	-0.5%	0.5	2.0
Salary growth rate	+0.5%	0.0	0.6	-0.5%	(0.1)	(0.6)
Pension growth rate	+0.5%	0.4	1.2	-0.5%	(0.3)	(0.0)

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

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

	31.12.2022	31.12.2021
Shares	11%	10%
Short term bonds	15%	20%
Money market	8%	11%
Long term bonds	32%	27%
Loans & Receivables	22%	19%
Real estate	10%	14%
Other	1%	1%

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

USD million	2022	2021
Pension expenses from defined benefit scheme included in personnel expenses	0.5	1.1
Pension expenses from defined contribution schemes	6.4	12.2
Pension expenses from multi-employer plans accounted for as defined contribution schemes	6.3	7.7
Total pension expenses included in personnel expenses	**13.2**	**21.0**

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

Note 20 Trade payables

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

Trade payables are financial liabilities recognised initially at fair value and subsequently measured at face value, due to short time to maturity. Also refer to accounting policies in Note 13 - Financial assets and liabilities.

Note 21 Other liabilities

Other current liabilities specification

USD million	31.12.2022	31.12.2021
Social security and other taxes	13.4	24.6
Accrued salaries, holiday pay and employee bonus	15.2	37.5
Other payables and financial liabilities	5.0	2.0
Other accrued expenses	7.7	17.1
Total other current liabilities	**41.3**	**81.2**

Refer to Note 29 - Contingencies for further information about accounting policy for provisions and accruals, as well as significant judgement applied and estimation uncertainty.

Note 22 Financial risk management

Capital management and funding

The primary objective of the Group's capital management is to ensure that it maintains required capital ratios and liquidity available to support the business. Capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in financial markets. Capital management also comprise securing the company to be in compliance with covenants on interest bearing debt. Reference is made to Note 17 - Interest-bearing borrowings which disclose information about covenants on long-term interest-bearing liabilities.

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

	31.12.2022	31.12.2021
Equity	1,208.5	1,268.2
Total assets	2,219.3	2,515.2
Equity ratio	**54%**	**50%**
Cash and cash equivalents excl.restricted capital	148.8	159.0
Available drawing facilities	-	-
Total available liquidity	**148.8**	**159.0**

Deposits / placements

The liquidity management has four main objectives:

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

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

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

The following instruments are allowed for short term placements;

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

Liquidity

The company's policy is to have liquidity corresponding to two months' operating expenses.

Financial risk factors

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

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

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

Note 23 Liquidity risk

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

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

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through credit facilities and the ability to close out market positions.

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

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

Odfjell Drilling held cash and cash equivalents amounting to USD 157 million at the end of 2022. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2023.

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

Operating in several jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 29 Contingencies for information regarding letter of indemnity and USD 31 million prepayment made in 2023 related to a tax ruling in Norway.

The Group's refinancing risk is considered low. Currently, bank loan facilities are maturing at different times up to June 2024. The Group is considering alternative sources of financing, and has also started dialogue with banks. The Group expects to be successful in securing new or extended financing prior to maturity of the loans. See Note 17 - Interest-bearing borrowings for further information about maturity of contractual amounts.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual non-discounted cash flows. The table include estimated interest payments for drawn facilities at the balance sheet date, based on the remaining period at the end of the reporting period to the contractual maturity date. The estimated interest payments include payments based on forward rates for the interest rate swaps.

Maturity of financial liabilities - 31.12.2022

USD million	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	94.8	271.0	471.3	101.3	-	**938.4**	842.5
Lease liabilities	13.3	13.2	22.2	16.0	12.0	**76.8**	68.2
Trade payables	35.8	-	-	-	-	**35.8**	35.8
Other current payables	21.4	6.5	-	-	-	**27.9**	27.9

Maturity of financial liabilities - 31.12.2021

USD million	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	97.1	96.3	477.2	452.5	-	**1,123.1**	1,036.4
Lease liabilities	4.0	3.8	7.5	19.7	22.5	**57.5**	46.1
Trade payables	43.1	0.1	-	-	-	**43.2**	43.2
Other current payables	51.3	5.4	-	-	-	**56.6**	56.6

Note 24 Market risk

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

The re-contracting risk for the Group's wholly owned mobile drilling units is limited in 2023, as all units in the fleet has medium to long-term contracts.

Contract status and currency exposure in rig rates

The Deepsea Atlantic commenced its Johan Sverdrup phase 2 contract with Equinor on 31 December 2021. During 2022 Equinor Energy AS exercised further options for the Deepsea Atlantic to drill five additional wells on Johan Sverdrup Phase 2 development, extending the Deepsea Atlantic's firm backlog into the first quarter of 2024. The day rate consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day.

The Deepsea Stavanger is currently on contract with Equinor and working on the Norwegian Continental Shelf. During 2022, Equinor exercised further work for Deepsea Stavanger under the continued optionality mechanism and the rig was also awarded a five-year firm contract with Aker BP ASA which is scheduled to commence in early 2025. The current fixed well program with Equinor is expected to take firm operations into the third quarter of 2023. The day rate consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day.

Deepsea Aberdeen is currently on a long-term contract with Equinor at the Breidablikk field. The current fixed well program with Equinor is expected to take firm operations into the fourth quarter of 2024. The day rate consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The rig has currently firm work through the third quarter 2024 as Aker BP in 2022 exercised further options. The day rate consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day.

Climate Risk

During 2022, a project was undertaken with external advisors to raise awareness and assess the impacts of climate risks and opportunities. Cross-functional workshops were held to review the impact on the business from both physical and transitional risks in the short, medium and long term, prioritising risks for further deep dives.

The most significant transition risks identified, along with mitigating actions were:

- Changes in fossil energy demand due to policies and consumer behaviour changes, leading to reduced demand for our assets and reduced revenue. This will be factored in to any asset growth decisions and alternative use of assets will be considered.
- Cost of and access to capital may go up as banks move to low carbon portfolios, leading to increased interest costs. Consider debt structure and ensure carbon reducing initiatives understood by capital markets.

The most significant physical risk identified, along with mitigating actions is:

- Impact of extreme weather offshore on crew and equipment logistics could increase costs and result in downtime. Critical spares analysis and robust planning required as well as protection in commercial contracts.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a continuous basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash-flow hedges). At the date of the hedging transaction, the Group's documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

- The effective portion of the gain or loss on the cash flow hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.
- Amounts recognised directly in other comprehensive income are reclassified as income or expense in the income statement in the period when the hedged liability or planned transaction will affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income/expenses.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria or the group has elected not to apply hedge accounting, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The group has the following derivative financial instruments in the following line items in the balance sheet:

USD million	31.12.2022	31.12.2021
CURRENT ASSETS		
Foreign exchange contracts - at fair value through profit or loss	2.4	-
Foreign exchange contracts - cash flow hedges under hedge accounting	-	0.6
Total current derivative financial instruments asset	**2.4**	**0.6**
NON-CURRENT ASSETS		
Interest rate swaps - at fair value through profit or loss	-	5.0
Interest rate swaps - cash flow hedges under hedge accounting	7.5	-
Total non-current derivative financial instruments asset	**7.5**	**5.0**
NON-CURRENT LIABILITIES		
Interest rate swaps - cash flow hedges under hedge accounting	-	3.0
Warrant liability - at fair value through profit or loss	2.8	1.0
Total non-current derivative financial instruments liabilities	**2.8**	**4.0**

The group's hedging reserves disclosed in Note 27 - Other reserves related to the following instruments:

Cash flow hedging reserves

USD million	Currency forwards	Interest rate swaps	Total hedge reserves
Opening balance 1 January 2021	4.4	(10.5)	(6.2)
Change in fair value of hedging instruments recognised in OCI	0.2	3.3	3.7
Reclassified from OCI to profit or loss	(4.0)	4.2	0.2
Closing balance 31 December 2021	**0.6**	**(3.0)**	**(2.3)**
Change in fair value of hedging instruments recognised in OCI	(0.3)	12.7	12.4
Reclassified from OCI to profit or loss	(0.2)	(2.2)	(2.4)
Closing balance 31 December 2022	**-**	**7.5**	**7.7**

In addition to the amounts disclosed in the reconciliation of the hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

Amounts recognised in profit or loss

USD million	31.12.2022	31.12.2021
INTEREST RATE SWAPS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Amounts recognised in interest expenses	(0.1)	(0.8)
Gain from settlement of swaps	12.1	-
Change in fair value	(5.0)	5.8
FOREIGN EXCHANGE CONTRACTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	2.4	(1.4)
WARRANT LIABILITY - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	(1.9)	4.3

Foreign exchange risk

The consolidated material subsidiaries' reporting and functional currencies are USD and NOK.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are mainly priced in USD while most of the operating expenses are in local currency. The Group seeks to minimise these risks through currency hedging via financial instruments or by off-setting local currency elements in charter contracts.

Quoted mark-to-market values from financial institutions have been used to determine the fair value of the foreign exchange contracts at the end of the year. The foreign exchange contracts are only used for economic hedging purposes and not as speculative investments. However, these derivatives did not meet the hedge accounting criteria, and are accounted for at fair value through profit or loss.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

Foreign exchange risk - Exposure - 31.12.2022

USD million	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	113.7	0.9	0.8
Trade receivables	68.6	0.1	-
Contract assets	6.4	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(42.0)	-	-
Trade payables	(25.8)	(0.2)	(1.6)
Other current payables	(25.5)	(0.0)	(0.7)
FOREIGN CURRENCY CONTRACTS			
Buy foreign currency (at fair value through profit or loss)	103.5	-	-
Sell foreign currency (at fair value through profit or loss)	116.3	-	-

Foreign exchange risk - Exposure - 31.12.2021

USD million	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	85.5	5.7	6.4
Trade receivables	64.1	25.0	8.0
Contract assets	7.1	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(41.7)	(1.4)	(3.0)
Trade payables	(24.9)	(5.8)	(2.7)
Other current payables	(68.2)	(5.0)	(1.7)
FOREIGN CURRENCY FORWARDS			
Buy foreign currency (cash flow hedges under hedge accounting)	17.4	-	-

Foreign currency forwards

Foreign currency contracts	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2022						
Buy foreign currency (at fair value through profit or loss)	NOK	290.0	30.05.2023	n/a	0.10345	0.8
Sell foreign currency (at fair value through profit or loss)	NOK	321.3	30.05.2023	n/a	0.09337	(0.3)
Buy foreign currency (at fair value through profit or loss)	NOK	729.8	01.06.2023	n/a	0.10276	2.3
Sell foreign currency (at fair value through profit or loss)	NOK	825.0	01.06.2023	n/a	0.09091	(0.5)
31.12.2021						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	153.5	Jan 2021 - April 2022	1:1	0.11322	0.6

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

USD million	2022	2021
Net currency gain / (loss) included in finance costs	(3.6)	3.1

As shown in the table above, the Group is primarily exposed to changes in USD/NOK exchange rates.

Sensitivity to changes in USD/NOK exchange rates

Sensitivity to changes in USD/NOK exchange rates	USD is strengthened by 20 % against NOK		USD is strengthened by 10 % against NOK		USD is weakened by 10 % against NOK	
USD million	2022	2021	2022	2021	2022	2021
Cash and cash equivalents	(9.8)	(4.4)	(5.3)	(2.4)	6.5	3.0
Current receivables	3.0	5.4	1.7	2.9	(2.0)	(3.6)
Current liabilities	(3.5)	(0.6)	(1.9)	(0.3)	2.3	0.4
Net effect on profit before tax	**(10.2)**	**0.3**	**(5.6)**	**0.2**	**6.8**	**(0.2)**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors is on regular basis considering the interest payment hedging of the external financing and mandate administration to execute necessary changes.

The Group had 8 interest rate swap agreements at 31 December 2022. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the swap agreements at the end of the year. Some of the instruments used during 2022 were documented as cash flow hedges and other as financial investments, and changes in fair value were recognised in other comprehensive income (cash flow hedging) and others recognised through profit and loss statement (financial investments not defined as cash flow hedges).

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Including interest rate swaps entered into, the fixed-rate portion of the group's interest bearing debt per 31 December 2022 is approximately 44%.

The swap contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Average interest rate as of 31.12.2022 was 7.2%, including the effect of interest rate hedging.

Estimated fair value calculations from external financial institutions have been used to determine the fair value of the swap agreement at the end of the year.

The Group monitors its interest rate exposure on a dynamic basis. The Group calculates the impact on profit and loss of a defined interest rate shift.

As of 31.12.2022 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
Cash flow hedges under hedge accounting	213.8	2023	1:1	1.4392%	6.6
Cash flow hedges under hedge accounting	21.6	2024	1:1	1.4415%	1.0

As of 31.12.2021 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
Cash flow hedges under hedge accounting	248.0	2023	1:1	1.4392%	(2.4)
Cash flow hedges under hedge accounting	62.5	2024	1:1	1.4371%	(0.6)
At fair value through profit or loss	200.0	2025	1:1	0.4475%	5.0

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

USD million	31.12.2022	% of total loans	31.12.2021	% of total loans
Variable rate borrowings - USD LIBOR	471.8	56%	472.4	45%
FIXED RATE BORROWINGS - REPRICING OR MATURITY DATES:				
Less than 1 year	213.8	25%	-	0%
1-5 years	156.6	19%	570.5	55%
Later than 5 years	-	0%	-	0%
Total contractual amounts*	**842.2**	**100%**	**1,042.9**	**100%**

** Including Seller's credit*

The result of the calculation on sensitivities returns the following expected values (incl. interest rate swaps entered into as at 31 December):

- If interest rate is increased by 1.0 %, the effect would be an increase in financing costs of approximately USD 5 million for the next 12 months as at 31 December 2022, compared to USD 4 million at 31 December 2021.

Interest rate benchmark reform

The interest rate benchmark London Inter-Bank Offered Rate (LIBOR) is being wound down. The majority of LIBOR panels have ended, and their settings ceased or are permanently unrepresentative. The overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR settings are continuing under a panel bank methodology until the end of June 2023. By the end of June 2023, the Group will amend existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate (SOFR).

Group treasury is managing the group's USD LIBOR transition plan. The most significant change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

No financial instruments have transitioned to an alternative benchmark rate at the end of the reporting period. No material financial effects are expected as a result of the IBOR reform.

The Group has signed ISDA 2020 Fallbacks Protocol & Supplement for derivatives. That means that the Group's interest rate swap agreements have a fallback to compounded SOFR, if noting else is agreed.

The Group is currently evaluating which SOFR both floating-rate debt and associated swaps will be transitioned to. The Group will conclude and implement the USD LIBOR transition to SOFR in Q2 2023.

Relief applied

The group has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019 and the Interest Rate Benchmark Reform - Phase 2 - amendments:

- When considering the 'highly probable' requirement, the group has assumed that the USD interest rate on which the group's hedged debt is based does not change materially as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the group has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not materially altered by LIBOR reform.
- The group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- If the basis for determining contractual cash flows of a financial asset or liability measured at amortised cost changes solely as a result of the IBOR reform, the Group will update the effective interest rate to reflect the change that is required
- The phase 2 amendments provide temporary exceptions from certain hedge accounting requirements due to changes required by the IBOR reform. The Group will apply these reliefs that allow for continuing the hedging relationship.

Warrant liabilities

On 30 May 2018 the company issued warrants for 5,925,000 common shares to an affiliate of Akastor ASA for a total consideration of USD 1.00. 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 will be exercisable in six equal tranches from 2019 to 2024. A tranche which has become exercisable may also be exercised on the exercise dates for the subsequent tranches if the conditions for such subsequent exercise(s) are satisfied. Each tranche may be exercised if the price of the Shares has increased by a defined percentage over NOK 31.20 on the relevant exercise date (i.e. 31 May in 2019, 2020, 2021, 2022, 2023 and 2024 respectively), being NOK 37.43 for tranche 1, NOK 44.92 for tranche 2, NOK 53.91 for tranche 3, NOK 64.69 for tranche 4, NOK 77.62 for tranche 5 and NOK 93.15 for tranche 6. On 30 May 2024, any non-exercised Warrants will, to the extent the thresholds have not been met, be exercisable on a linear prorate basis, subject to the company's share price being within the range of NOK 31.20 and NOK 93.15.

No warrants have been exercised in 2021 or 2022.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognised in the consolidated statements of operations and comprehensive loss at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (common shares) if and when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value.

Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant). Any remaining fair value is recorded through the statement of operations and comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. The path-dependent nature of the instrument is modelled using a Monte Carlo simulation approach which uses computer generated random numbers to simulate share price paths. The price paths are generated using a process known as Geometric Brownian Motion (GBM). The price distributions generated by GBM are consistent with the assumptions underlying the widely used Black-Scholes model to price equity options.

The calculations are based on the following assumptions:

- Valuation date : 31 December 2022
- Share price: NOK 26.30
- Volatility of share price: 44.57%
- Risk-free interest rate: 3.13%
- USD/NOK exchange rate: 9.8573
- Dividend yield: zero
- No tranches have been exercised

Based on the valuation, fair value of the warrant liability is estimated to be NOK 28 million / USD 2.8 million as at 31 December 2022 (NOK 8 million / USD 0.95 million as at 31 December 2021).

The negative change in fair value in 2022 of USD 1.9 million (positive change of USD 4.3 million in 2021) was recognised as part of Other financial items.

Note 25 Credit risk

Accounting policy

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further description

The Group operates in two segments: Own Fleet and External Fleet. The market for the Group's services is the offshore oil and gas industry, and the customers consist primarily of major integrated oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of the customers and generally does not request material collateral.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, marketable securities, other receivables and certain derivatives instruments receivable amount, the Group's exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. However, the Group believes this risk is limited as the counter-parties mainly have a high credit quality.

During 2022, the Group has continued its focus on credit risk in general related to the uncertain conditions in some geographical markets. The maximum exposure regarding trade receivables is the carrying amount of USD 91 million.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to non-billed work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ageing of the trade receivables - 31.12.2022

USD million	Expected loss rate	Gross amount 31.12.2022	Loss allowance 31.12.2022	Net amount 31.12.2022
Not due	0.0%	87.4	-	87.4
0 to 3 months	0.0%	2.6	-	2.6
3 to 6 months	0.0%	1.1	-	1.1
Over 6 months	0.0%	-	-	-
Total		**91.0**	**-**	**91.0**

Contract assets - 2022

USD million	Expected loss rate	Gross amount 31.12.2022	Loss allowance 31.12.2022	Net amount 31.12.2022
Not due	0.0%	8.6	-	8.6

The ageing of the trade receivables - 31.12.2021

USD million	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	130.9	-	130.9
0 to 3 months	0.0%	17.5	-	17.5
3 to 6 months	0.0%	1.0	-	1.0
Over 6 months	21.4%	6.6	(1.4)	5.2
Total		**156.0**	**(1.4)**	**154.5**

Contract assets - 2021

USD million	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	10.2	-	10.2

Movements in loss allowance / the provision for impairment of trade receivables and contract assets are as follows:

	Trade receivables		Contract assets	
USD million	2022	2021	2022	2021
Loss allowance as at 1 January	1.4	1.1	-	-
Disposal through distribution of operations to shareholders	(1.4)	-	-	-
Utilised	-	(0.1)	-	-
Released provision	-	(0.3)	-	-
New provisions	-	0.7	-	-
Translation differences	-	(0.0)	-	-
Loss allowance as at 31 December	**-**	**1.4**	**-**	**-**

The Group has not recognised any impairment losses in 2021 or 2022 related to continuing operations.

Note 26 Share capital and shareholder information

	No.of shares	Nominal value	Share capital - USD thousands
Listed shares / Common shares issued	236,783,202	USD 0.01	2,368
Preference shares issued	16,123,125	USD 0.01	161
Total share capital			**2,529**

Common shares

Authorised, not issued shares was 47, 093,673 as at 31 December 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 common shares in 2022, and no common shares are held by entities in the Group.

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

The Company's common shares are freely transferable in Norway, provided however, that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, (or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share) where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway (or, alternatively, such shares or votes being effectively connected to a Norwegian business activity).

Preference shares

29 November 2022, the Group repurchased the preference shares issued to Akastor ASA.("Akastor"). The preference shares have been acquired for cash at par value, 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.

Treasury shares - accounting policy

Shares that are bought back are recorded in a separate treasury stock account with the share capital amount. Premium to par value is shown as an adjustment to share premium. Discount to par value is shown as an adjustment to retained earnings. The repurchase of shares is viewed as a temporary reduction in shareholders' equity. The treasury stock account is kept active until the share are resold or cancelled.

Accounting policy - Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Cash dividend paid in 2022

The Group paid cash dividends of USD 2.2 million in June 2022 (USD 0.138 per share) to Akastor as the holder of the preference shares at that point.

Preferred payment in kind dividend - 2022

At 30 June 2022, preferred payment in kind dividend of USD 2.2 million was capitalised, increasing the accrued preference capital balance to USD 91.76 million, prior to the repurchase in November 2022.

For information about warrants, refer to Note 24.

Distribution to shareholders

Refer to Note 4 Discontinued operations for information regarding distribution of shares in Odfjell Technology Ltd being distributed to common shareholders of the Company at the end of March 2022. The distribution was valued to NOK 4.39 per share, equal to approximately USD 0.506 per share, totalling USD 119.8 million.

Largest common shareholders at 31 December 2022	Account type	Holding	% of shares
Odfjell Partners Holding Ltd.	Ordinary	142,952,381	60.37%
J.P. Morgan Securities Plc	Nominee	13,598,726	5.74%
The Bank of New York Mellon SA/NV	Nominee	5,655,363	2.39%
Goldman Sachs International	Nominee	4,650,055	1.96%
State Street Bank and Trust Comp	Nominee	3,501,856	1.48%
Merrill Lynch Prof. Clearing Corp.	Nominee	3,191,246	1.35%
The Bank of New York Mellon SA/NV	Nominee	2,709,205	1.14%
Citibank	Nominee	1,924,128	0.81%
Brown Brothers Harriman & Co.	Nominee	1,596,418	0.67%
Brown Brothers Harriman & Co.	Nominee	1,576,290	0.67%
BNP Paribas	Nominee	1,429,238	0.60%
State Street Bank and Trust Comp	Nominee	1,307,483	0.55%
J.P. Morgan Securities PLC	Ordinary	1,223,607	0.52%
Nordea Bank Abp	Nominee	1,200,000	0.51%
The Bank of New York Mellon SA/NV	Nominee	1,150,793	0.49%
The Bank of New York Mellon SA/NV	Nominee	1,062,822	0.45%
State Street Bank and Trust Comp	Nominee	1,007,930	0.43%
Ulsmo Finans AS	Ordinary	950,000	0.40%
CACEIS Bank	Nominee	849,437	0.36%
The Bank of New York Mellon SA/NV	Nominee	841,837	0.36%
Total 20 largest common shareholders		**192,378,815**	**81.25%**
Other common shareholders		44,404,387	18.75%
Total common shareholders		**236,783,202**	**100.00%**

Note 27 Other reserves

USD million	Note	Cash flow hedges	Translation differences	Share-Option plan	Acquisition non-controlling interests	Total
At 1 January 2021		(6.2)	(70.7)	1.3	(34.5)	**(110.0)**
Change in fair value of hedging instruments recognised in OCI	24	3.7	-	-	-	**3.7**
Reclassified from OCI to profit or loss	24	0.2	-	-	-	**0.2**
Currency translation difference		-	(3.8)	-	-	**(3.8)**
Cost of share-based option plan	35	-	-	0.5	-	**0.5**
At 31 December 2021		**(2.3)**	**(74.5)**	**1.9**	**(34.5)**	**(109.5)**
Change in fair value of hedging instruments recognised in OCI	24	12.4	-	-	-	**12.4**
Reclassified from OCI to profit or loss	24	(2.4)	-	-	-	**(2.4)**
Currency translation difference		-	(8.9)	-	-	**(8.9)**
Reclassification of foreign currency translation reserve	4		27.0	-	-	**27.0**
Cost of share-based option plan	35	-	-	0.4	-	**0.4**
Settlement of share-based option plan	35	-	-	(0.5)		**(0.5)**
At 31 December 2022		**7.7**	**(56.5)**	**1.8**	**(34.5)**	**(81.4)**

Note 28 Securities and mortgages

Liabilities secured by mortgage

USD million	31.12.2022	31.12.2021
Non-current liabilities - contractual amounts	532.3	886.7
Current liabilities	315.3	161.1
Total	**847.6**	**1,047.7**

Carrying amount of mortgaged assets:

USD million	31.12.2022	31.12.2021
Property, plant and equipment	1,937.9	2,108.9
Receivables and contract assets	112.9	192.8
Bank deposits	157.2	173.0
Total	**2,208.0**	**2,474.7**

Odfjell Invest Ltd. – USD 425 million Facility

(USD 231.5 million outstanding)

USD 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the loan, substantially all of the assets of Odfjell Invest Ltd. and its subsidiaries, have been pledged in favour of the lenders. This includes the shares in Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., mortgages over the semi-submersible drilling rigs Deepsea Atlantic and Deepsea Stavanger and assignment of rights to revenue, interest proceeds and bank accounts. In addition, the shares in Odfjell Invest Ltd., have been pledged by Odfjell Rig Owning Ltd., in favour of the lenders. Odfjell Drilling AS' shares in the charter company Odfjell Invest AS have also been pledged.

Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling Ltd. and Odfjell Rig Owning Ltd. have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents.

Odfjell Invest Ltd. – USD 100 million Junior Facility

(USD 100 million outstanding)

USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

The facility is covered by the same security package as the USD 425 million facility on a second priority basis.

Odfjell Rig III Ltd. – USD 530 million Facility

(USD 133 million outstanding)

USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders.

As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., Odfjell Drilling Shetland Limited and Deep Sea Drilling Company AS is pledged in favour of the lenders and hedging banks, including a mortgage in Deepsea Aberdeen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., Odfjell Drilling Shetland Limited and Deep Sea Drilling Company AS, have guaranteed the obligors' obligations under the finance documents.

Odfjell Rig V Ltd. – USD 325 million Facility

(USD 214 million outstanding)

USD 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

All of the shares in and substantially all of the assets of Odfjell Rig V Ltd., have been pledged in favour of the lenders, including a mortgage over Deepsea Nordkapp which was established at delivery of the unit on 7 January 2019. Also, Odfjell Rig Owning Ltd. and Odfjell Invest II AS, have guaranteed the obligors' obligations under the finance documents. In addition, Odfjell Drilling AS has pledged its shares in Odfjell Invest II AS as security.

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

(USD 49 million outstanding)

USD 43.25 million seller's credit granted to Odfjell Rig V Ltd by Samsung Heavy Industries at delivery of Deepsea Nordkapp 7 January 2019.

The seller's credit is secured by a second priority mortgage over Deepsea Nordkapp, a second priority assignment of insurances and a parent company guarantee from Odfjell Rig Owning Ltd. The maximum liability of Odfjell Rig Owning Ltd shall be USD 43.25 million plus any amount of unpaid interest and other expenses under the agreement.

Odfjell Drilling Ltd. – USD 95 million Direct loan

(USD 95 million outstanding)

Direct loan of USD 95 million granted to Odfjell Drilling Ltd. in November 2022 by undisclosed client. Undisclosed client has pledge in preference shares and set-off right in drilling contract.

Odfjell Rig Owning Ltd. – USD 20 million seller's credit from Akastor

(USD 20 million outstanding)

Unsecured seller credit from Akastor of USD 20 million granted to Odfjell Rig Owning Ltd by Akastor in November 2022. Non-amortising and maturity 31 July 2024.

Note 29 Contingencies

Accounting policy - Provisions, contingent liabilities and contingent assets

A provision is recognised when an obligation exists (legal or constructive) as a result of a past event, it is probable that an economic settlement will be required as a consequence of the obligation, and a reliable estimate can be made of the amount of the obligation.

The best estimate of the expenditure required to settle the obligation is recognised as a provision. When the effect is material, the provision is discounted using a market based pre-tax discount rate.

A provision for restructuring costs is recognised when a constructive obligation arises. Such an obligation is assumed to have arisen when the restructuring plan is approved and the implementation of the plan has begun, or its main features are announced to those affected by it.

Contingent liabilities and contingent assets are not recognised. Contingent liabilities are disclosed unless the possibility of an economic settlement as a consequence of the obligation is remote. Contingent assets are disclosed where an economic settlement as a consequence of the asset is probable.

Significant judgement and estimation uncertainty

The Group may from time to time be subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, investments etc., of which the outcomes are subject to significant uncertainty. Management applies significant judgement when evaluating the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made, or increase or decrease an amount accrued for a matter in previous reporting periods.

Letter of indemnity

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

Odfjell Drilling Ltd 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.

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 Odfjell Drilling 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 30 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
Well Services equipment -Discontinued operations	-	22.2
Total	**46.7**	**32.8**

Note 31 Subsidiaries

Material subsidiaries

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership 2022	Ownership 2021	Principal activities
Odfjell Rig Owning Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Invest Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Rig III Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Rig V Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Odfjell Drilling Shetland Ltd.	Scotland	United Arab Emirates / UK	USD	100	100	Rig owning
Deep Sea Atlantic (UK) Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Deep Sea Stavanger (UK) Ltd.	England	United Arab Emirates / UK	USD	100	100	Rig owning
Odfjell Invest AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Invest II AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company I AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Drilling South Africa Ltd.	Scotland	South Africa / Namibia	USD	100	100	Drilling operations
Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
Deep Sea Management International AS	Norway	Norway	NOK	100	-	Crewing
Odfjell Drilling Services Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Technology Ltd. *	Bermuda	UK	USD	-	100	Holding company
Odfjell Platform Drilling AS *	Norway	Norway	NOK	-	100	Holding company / Drilling operation
Odfjell Drilling Management AS *	Norway	Norway	NOK	-	100	Drilling operation and maintenance of fixed installations
Odfjell Drilling (UK) Ltd. *	Scotland	UK	GBP	-	100	Drilling operation and maintenance of fixed installations
Odfjell Partners Invest Ltd. *	Bermuda	United Arab Emirates	USD	-	100	Holding company / Well services equipment owner

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership 2022	Ownership 2021	Principal activities
Odfjell Well Services II Ltd. *	Bermuda	Kurdistan	USD	-	100	Well services
Odfjell Services (Thailand) FLC *	Thailand	Thailand	THB	-	100	Well services
Odfjell Well Services Cooperatief U.A. *	Netherlands	Europe	EUR	-	100	Well services
Odfjell Well Services SRL *	Romania	Europe	RON	-	100	Well services
Odfjell Well Service (UK) Ltd. *	Scotland	UK	GBP	-	100	Well services
Odfjell Well Services Norway AS *	Norway	Norway	NOK	-	100	Well services
Odfjell Well Services AS *	Norway	Norway	NOK	-	100	Well services
Odfjell Well Services Ltd. *	British Virgin Islands	United Arab Emirates	USD	-	100	Well services
Odfjell Drilling Technology AS *	Norway	Norway	NOK	-	100	Engineering
Odfjell Global Business Services AS *	Norway	Norway	NOK	-	100	Group Business Services
Odfjell Drilling Philippines Corporation *	Philippines	Philippines	PHP	-	100	Group Business Services
Odfjell Offshore Ltd. *	Bermuda	Norway	USD	-	100	Holding company

** Part of discontinued operation. Refer to Note 4.*

The group's principal subsidiaries are set out in table above. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Other subsidiaries included in the consolidated group financial statements:

Name of entity	Country of incorporation	Principal place of business	Functional currency	Owner-ship 2022	Owner-ship 2021	Principal activities
Deep Sea Drilling Company II KS	Norway	Norway	NOK	100	100	No activity
Odfjell Drilling Cooperatief UA	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Invest Holland BV	Netherlands	Netherlands	EUR	100	100	No activity
Odfjell Perfuracoes e Servicos Ltda	Brazil	Brazil	BRL	100	100	No activity
Odfjell Drilling Netherlands BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil Ltda.	Brazil	Brazil	BRL	100	100	No activity
Odfjell Gestao de Perfurancoes do Brasil Ltda.	Brazil	Brazil	BRL	100	100	No activity
Odfjell Arabia Drilling Services LLC *	Saudi Arabia	Saudi Arabia	SAR	-	100	No activity
Odfjell Energy Crewing AS *	Norway	Norway	NOK	-	100	No activity
Odfjell Well Services Ltda *	Brazil	Brazil	BRL	-	100	No activity

** Part of discontinued operation. Refer to Note 4.*

Note 32 Investments in joint ventures and associates

Accounting policy

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Joint ventures

Investment in Odfjell Oceanwind AS was part of discontinued operation, refer to Note 4.

Note 33 Related parties - transactions, receivables, liabilities and commitments

The Group had the following material transactions with related parties:

USD million	Relation	2022	2021
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	1.2	n/a
Odfjell Oceanwind AS	Related to main shareholder	0.5	1.4
Kokstadflaten Utleie AS	Related to main shareholder	0.6	0.8
Total sales of services to related parties		**2.3**	**2.2**

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

USD million	Relation	2022	2021
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	44.9	n/a
Total purchases from related parties		**44.9**	**N/A**

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	Related party	Relation	2022	2021
Trade receivables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	0.5	n/a
Other current receivables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	0.0	n/a
Trade payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(10.1)	n/a
Other current payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(1.5)	n/a
Net current payables related parties			**(11.0)**	**N/A**

Lease agreements

USD million *Related party*	Relation	Type of asset	Lease liability 31.12.2022	Lease liability 31.12.2021	Payments 2022	Payments 2021
Odfjell Land AS	Related to main shareholder	Properties	28.5	38.8	4.5	6.0
Companies in Odfjell Technology Ltd Group	Related to main shareholder	Mooring and drilling equipment	37.5	-	17.3	
Total			**66.0**	**38.8**	**21.8**	**6.0**

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.

Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown in Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor.

Note 34 Remuneration to the Board of Directors, key executive management and auditor

Details of salary, variable pay and other benefits provided to Group management in 2022:

USD thousands		Salary	Bonus	Other remuneration	Pension premium	Expense share-based payments	Total
Kjetil Gjersdal	CEO from April 2022 - Odfjell Drilling AS	344	182	19	13	91	**649**
Frode Syslak	CFO from April 2022 - Odfjell Drilling AS	155	44	10	12	48	**269**
Simen Lieungh	CEO to March 2022 - Odfjell Drilling AS	189	1,507	7	5	192	**1,901**
Jone Torstensen	CFO to March2022 - Odfjell Drilling AS	84	156	7	5	-	**253**
Diane Stephen	General Manager - Odfjell Drilling Ltd.	116	21	7	6	-	**150**
Total		**889**	**1,910**	**50**	**42**	**332**	**3,222**

Details of salary, variable pay and other benefits provided to Group management in 2021:

USD thousands		Salary	Bonus	Other remuneration	Pension premium	Expense share-based payments	Total
Simen Lieungh	CEO - Odfjell Drilling AS	640	1,686	52	15	528	2,921
Jone Torstensen	CFO from 1 September 2021- Odfjell Drilling AS	87	-	15	5	-	106
Atle Sæbø	CFO to 1 September 2021- Odfjell Drilling AS	227	174	17	23	-	442
Diane Stephen	General Manager - Odfjell Drilling Ltd.	199	37	12	11	-	259
Total		**1,153**	**1,897**	**96**	**54**	**528**	**3,728**

The amounts listed as Salary, Bonus, and Other remuneration in the table above represent cash payments in 2021 and 2022. Refer to the Executive Remuneration Report for bonuses earned in 2021 and 2022.

Amounts listed as Pension premium and Expense share-based payments relates to the expense accounted for as personnel expenses in 2021 and 2022. For details regarding settlement in 2022 of share option programme with the previous CEO of Odfjell Drilling AS, refer to Note 35 - Share-based payments.

For details regarding the current incentive share option programme, refer to Note 35 - Share-based payments.

Fees to Board of non-executive directors:

USD thousands	2022	2021
Helene Odfjell	78	87
Susanne Munch Thore	49	55
Alasdair Shiach	44	49
Thomas Marsoner	39	44
Total remuneration to Board of non-executive directors	**211**	**236**

Fees to the Group's auditor

USD thousands	2022	2021
Audit	369	431
Other assurance services	-	17
Tax advisory fee	-	-
Fees for other services	13	138
Total remuneration to the Group's auditor	**383**	**586**

All listed fees are net of VAT

Note 35 Share-based payments

Accounting policy

The company long term equity settled incentive share option programme in which the employee receives remuneration in the form of share-based payment for services rendered.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details below.

That cost is recognised in personnel expenses together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Details regarding share option programme:

The company entered at 16 May 2018 into a long term incentive share option programme with Simen Lieungh (CEO at the time), granting him options to purchase 960,000 common shares.31 May 2022 this share option programme was settled. As a result of the spin off and a change in CEO, the programme was settled in cash for a total of NOK 4.5 million.

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.

The options can only be exercised in five equal tranches, with vesting periods of one to five years. The options may be exercised in the exercise period starting at vesting date and ending five working days after. Any options not exercised in the first tranches can be rolled forward to the next tranches. Any options not exercised by 2 July 2027 will be terminated.

Overview of outstanding options:

Overview of outstanding options:	2022	2021
Outstanding options 1.1	960,000	960,000
Options granted	1,450,000	-
Options forfeited	-	-
Options exercised	(960,000)	-
Options expired	-	-
Outstanding options 31.12	**1,450,000**	**960,000**
Of which exercisable	-	640,000

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted in 2022 is NOK 11.36. The total cost of the share option plan is calculated based on the fair value x options granted. The total cost equals NOK 16.5 million (approximately USD 1.7 million) and is recognised over the period until June 2027.

The calculations are based on the following assumptions:

- The share price on the grant date were set to the stock exchange price NOK 23.675 on the grant date.
- The strike price per option was NOK 23.37.
- The expected price volatility of the company's shares was set to 50% based on historical volatility adjusted for expected changes.
- The expiry date was set to 28 June 2027.
- The expected dividend yield was set to 0%.
- The risk-free interest rate was set to 3.67%.

Note 36 Earnings per share

Accounting policy

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

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

The calculation takes account of all the warrants and share options that are"in-the-money" and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date.

The dilution effect on warrants and share options is calculated as the difference between average fair value in an active market and exercise price or the sum of the not recognised cost portion of the options.

Further description

The Company has issued warrants for 6,837,492 common shares, see further description in Note 24 - Market risk, and has in addition a share option plan for 1,450,000 common shares, see further description in Note 35 - Share-based payments. The warrants represent contingently issuable shares.

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

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

USD million	2022	2021
Profit/(loss) due to owners of the parent	129.6	74.4
Adjustment for dividends on preference shares	(8.3)	(8.6)
Profit/(loss) for the period due to holders of common shares	**121.3**	**65.8**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**121.3**	**65.8**

	2022	2021
Weighted average number of common shares in issue	236,783,202	236,783,202
Effects of dilutive potential common shares:		
Warrants	-	-
Share option plan	-	-
Diluted average number of shares outstanding	**236,783,202**	**236,783,202**

	2022	2021
Basic earnings per share (USD)	**0.512**	**0.278**
Diluted earnings per share (USD)	**0.512**	**0.278**
EARNINGS PER SHARE - CONTINUING OPERATIONS		
Profit/(loss) for the period due to holders of common shares	74.6	52.3
Diluted profit/(loss) for the period due to the holders of common shares	74.6	52.3
Basic earnings per share - continuing operations (USD)	**0.315**	**0.221**
Diluted earnings per share - continuing operations (USD)	**0.315**	**0.221**

Note 37 Events after the reporting period

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

Parent Company Financial Statements

Income Statement

for the year ended 31 December

USD thousands	Note	2022	2021
OPERATING REVENUES	**4**	**180**	**83**
Other gains and losses	3	(3,438)	-
Personnel expenses	5	(834)	(1,340)
Other operating expenses	4,6	(2,571)	(1,330)
TOTAL OPERATING EXPENSES		**(3,405)**	**(2,670)**
Operating profit / (loss) - EBIT		**(6,663)**	**(2,587)**
Interest income	4,7	12,721	9,781
Dividends from subsidiaries	4,8	296,257	-
Interest expenses	4,7	(15,232)	(12,272)
Impairment of investments in subsidiaries	8	(134,660)	-
Other financial items	7	448	7,324
Net financial items		159,534	4,834
Profit / (loss) before tax		**152,870**	**2,247**
Income tax	17	-	-
Profit / (loss) for the period		**152,870**	**2,247**
Of which attributable to common shareholders		143,804	(6,382)
Of which attributable to preference shareholders		9,066	8,629
EARNINGS PER SHARE (USD)			
Basic earnings per share	18	0.61	(0.03)
Diluted earnings per share	18	0.61	(0.03)

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2022	2021
Profit / (loss) for the period		152,870	2,247
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:		-	-
Items that are or may be reclassified to profit or loss:		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**-**	**-**
Total comprehensive income for the period		**152,870**	**2,247**
Total comprehensive income for the period is attributable to:			
Common shareholders		143,804	(6,382)
Preference shareholders		9,066	8,629

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

Statement of Financial Position

USD thousands	Note	31.12.2022	31.12.2021
ASSETS			
Investments in subsidiaries	8	856,742	1,109,471
Non-current receivables subsidiaries	4	339,078	220,410
Total non-current assets		**1,195,821**	**1,329,880**
Other current assets	10	675	1
Cash and cash equivalents	11	1,951	826
Total current assets		**2,626**	**827**
TOTAL ASSETS		**1,198,446**	**1,330,708**
EQUITY AND LIABILITIES			
Share capital	14	2,529	2,529
Other contributed capital		442,623	562,430
Other reserves		2,241	1,873
Retained earnings		626,212	477,875
Total equity		**1,073,605**	**1,044,707**

USD thousands	Note	31.12.2022	31.12.2021
Non-current interest-bearing borrowings	12	95,000	-
Non-current liabilities subsidiaries	4	25,753	273,217
Warrant liabilities	13	2,810	950
Total non-current liabilities		**123,563**	**274,167**
Current interest-bearing liabilities subsidiaries	4	-	11,338
Other current liabilities subsidiaries	4	-	
Trade payables		83	74
Other current liabilities	10	1,195	421
Total current liabilities		**1,278**	**11,834**
TOTAL LIABILITIES		**124,841**	**286,001**
TOTAL EQUITY AND LIABILITIES		**1,198,446**	**1,330,708**

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

The Board of Odfjell Drilling Ltd.
19 April 2023, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity	Equity attributable to common shares	Equity attributable to preference shares	Total equity
BALANCE AT 1 JANUARY 2021		**2,529**	**562,430**	**1,345**	**479,942**	**1,046,246**	**961,022**	**85,224**	**1,046,246**
Profit/(loss) for the period		-	-	-	2,247	**2,247**	(6,382)	8,629	**2,247**
Other comprehensive income for the period		-	-	-	-	**-**	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**2,247**	**2,247**	**(6,382)**	**8,629**	**2,247**
Cash dividend to preference shareholders		-	-	-	(4,314)	**(4,314)**	-	(4,314)	**(4,314)**
Cost of share-based option plan	5	-	-	528		**528**	528	-	**528**
Transactions with owners		**-**	**-**	**528**	**(4,314)**	**(3,787)**	**528**	**(4,314)**	**(3,787)**
BALANCE AT 31 DECEMBER 2021		**2,529**	**562,430**	**1,873**	**477,875**	**1,044,707**	**955,168**	**89,539**	**1,044,707**
Profit/(loss) for the period		-	-	-	152,870	**152,870**	143,804	9,066	**152,870**
Other comprehensive income for the period		-	-	-	-	**-**	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**152,870**	**152,870**	**143,804**	**9,066**	**152,870**
Distribution of shares in Odfjell Technology Ltd. to common shareholders	3	-	(119,807)			**(119,807)**	(119,807)	-	**(119,807)**
Cash dividend to preference shareholders	14	-	-	-	(4,533)	**(4,533)**	-	(4,533)	**(4,533)**
Share-based option plan	5	-	-	368		**368**	368	-	**368**
Transactions with owners		**-**	**(119,807)**	**368**	**(4,533)**	**(123,972)**	**(119,439)**	**(4,533)**	**(123,972)**
BALANCE AT 31 DECEMBER 2022		**2,529**	**442,623**	**2,241**	**626,212**	**1,073,605**	**979,534**	**94,072**	**1,073,605**

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

Statement of Cash Flow

for the year ended 31 December

USD thousands	Note	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		152,870	2,247
Adjustments for:			
Loss disposal of subsidiaries		3,438	-
Cost of Share-option plan		197	528
Net interest expense / (income)		1,684	2,490
Change in value of market-based derivatives	16	1,331	(4,300)
Impairment of investments in subsidiaries	8	134,660	-
Income from subsidiaries	4,8	(296,257)	-
Net currency loss / (gain) not related to operating activities		7	(26)
Other provisions and adjustments for non-cash items		-	(727)
Changes in working capital:			
Trade payables		9	(45)
Other accruals and current receivables /payables		632	(403)
Cash generated from operations		**(1,429)**	**(235)**
Net interest received / (paid)		40	0
Net cash flow from operating activities		**(1,389)**	**(235)**

USD thousands	Note	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from non-current receivables subsidiaries	4	1,500	38,000
Proceeds from current intercompany loans	4	4,827	-
Payments to subsidiaries, non-current receivables	4	(109,800)	-
Payment of capital increases in subsidiaries		(5,010)	-
Net cash flow from investing activities		**(108,483)**	**38,000**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from external borrowings	12	95,000	-
Payments on borrowing facilities from subsidiaries	4	-	(35,000)
Proceeds from borrowing facilities from subsidiaries	4	18,224	
Dividends paid to preference shareholders	14	(2,220)	(4,314)
Net cash from financing activities		**111,003**	**(39,314)**
Exchange gains/(losses) on cash and cash equivalents		(7)	26
Net change in cash and cash equivalents		**1,124**	**(1,524)**
Cash and cash equivalents at 01.01		826	2,350
CASH AND CASH EQUIVALENTS AT 31.12		**1,951**	**826**

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

Notes to the Parent Company Financial Statements

All amounts are in USD thousands unless otherwise stated

Table of contents

Note 1 Accounting policies

The principal activities of the Company is owning its shares in subsidiaries, as well as providing management services.

The financial statements for Odfjell Drilling Ltd., have been prepared and presented in accordance with IFRS as endorsed by EU, and are based on the same accounting policies as the Consolidated Group Financial Statements with the following additions:

Investments in subsidiaries

Investments in subsidiaries are based on the cost method. Refer to Note 8 - Investments in subsidiaries

Dividends

Dividends and group contribution from subsidiaries are recognised in profit or loss in the parent company financial statements when the Company's right to receive the dividend is established.

For further information, reference is made to the consolidated group financial statements

Note 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors which are outside the Company's control. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The most important areas where estimates and judgements are having an impact are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

- Contingent liabilities - Letter of indemnity (Note 10 - Other assets and liabilities)
- Impairment of investment in subsidiaries (Note 8 - Investment in subsidiaries)
- Warrant liabilities measured at fair value (Note 13 - Warrant Liabilities)

Going concern

Refer to Consolidated Financial Statements Note 3 - Critical accounting estimates and judgements.

Taking all relevant risk factors and available options for financing into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future.

Note 3 Other gains and losses

Refer to Consolidated Financial Statements Note 4 - Discontinued operations for information regarding the spin-off of Odfjell Technology in 2022.

The fair value of the net assets distributed to the shareholders was USD 119.8 million, compared to a book value of the shares in Odfjell Technology Ltd of USD 123.2 million. A loss of USD 3.4 million was recognised in 2022.

Note 4 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2022	2021
Management fee	Companies in Odfjell Drilling Ltd Group	Subsidiary	69	83
Other consultancy services	Companies in Odfjell Technology Ltd Group	Related to main shareholder	110	-
Dividends	Odfjell Drilling Services Ltd.	Subsidiary	280,000	-
Dividends	Odfjell Offshore Ltd.	Subsidiary	16,257	-
Interest income non-current loan	Odfjell Rig Owning Ltd.	Subsidiary	12,681	9,781
Guarantee provision	Companies in Odfjell Drilling Ltd Group	Subsidiary	2,166	3,014
Total			**311,284**	**12,878**

Related parties expenses

Type of transaction	Related party	Relation	2022	2021
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	14,313	11,678
Interest on long term loan	Odfjell Offshore Ltd.	Subsidiary	92	593
Service fee	Odfjell Drilling AS	Subsidiary	96	116
Service fee	Companies in Odfjell Technology Ltd Group	Related to main shareholder	10	12
Facility services	Companies in Odfjell Technology Ltd Group	Related to main shareholder	145	145
Total			**14,656**	**12,544**

Non-current receivables- related parties

Subsidiary	Interest conditions	Maturity date	Receivables 2022	Receivables 2021	Interests 2022	Interests 2021
Odfjell Rig Owning Ltd.	3 mth LIBOR + 3.5% margin	09.05.2024	339,078	220,410	12,681	9,781
Total non-current			**339,078**	**220,410**	**12,681**	**9,781**

Movements in non-current receivables subsidiaries are analysed as follows:

USD thousands	2022	2021
Carrying amount as at 1 January	220,410	273,158
CASH FLOWS:		
New loans provided to subsidiaries	109,800	-
Payments received from subsidiaries	(1,500)	(38,000)
NON-CASH FLOWS:		
Reclassified from current receivables	(2,313)	-
Offsetting agreement *	-	(24,530)
Interest accrued	12,681	9,781
Carrying amount as at 31 December	**339,078**	**220,410**

** Offset agreement between the company and the subsidiaries Odfjell Drilling Service Ltd and Odfjell Rig Owning Ltd*

The company has a loan agreement with subsidiary Odfjell Rig Owning Ltd.

Refer to Note 8 - Investments in subsidiaries for impairment indicator assessment as at 31 December 2022.

Non-current liabilities- related parties

Loans from subsidiaries:	Interest conditions	Maturity date	Liabilities 2022	Liabilities 2021	Interests 2022	Interests 2021
Odfjell Offshore Ltd.	n/a	n/a	-	11,338	92	593
Odfjell Drilling Services Ltd.	3 mth LIBOR + 3.5% margin	09.11.2025	25,753	273,217	14,313	11,678
Total loans from subsidiaries			**25,753**	**284,555**	**14,405**	**12,272**
Classified as current liabilities			*-*	*11,338*		
Classified as non-current liabilities			*25,753*	*273,217*		

The loan agreement with Odfjell Offshore Ltd., was settled in February 2022, offset by dividend distributed to the Company.

Movements in non-current liabilities subsidiaries are analysed as follows:

USD thousands	2022	2021
Carrying amount as at 1 January	273,217	332,540
CASH FLOWS:		
Proceeds from loan	18,224	
Repayment of loan	-	(35,000)
NON-CASH FLOWS:		
Offsetting agreement *	-	(24,530)
Dividend received offset in loan	(280,000)	
Reclassified to current liabilities /from current receivables	-	(12,065)
Interest cost accrued	14,313	12,272
Carrying amount as at 31 December	**25,753**	**273,217**

** Offset agreement between the company and the subsidiaries Odfjell Drilling Service Ltd and Odfjell Rig Owning Ltd*

The loan agreement with Odfjell Drilling Services Ltd., a subsidiary to the company, was amended in December 2022 The new due date was set to 9 November 2025, and the maximum aggregated loan amount for the borrowing facility is now USD 200 million.

Current receivables and liabilities - related parties

USD thousands *Type of transaction*	Related party	Relation	2022 Receivables	2022 Liabilities	2021 Receivables	2021 Liabilities
Loan	Odfjell Offshore Ltd.	Subsidiary	-	-	-	11,338
Trade	Odfjell Drilling AS	Subsidiary	-	-	-	23
Trade	Companies in Odfjell Technology Ltd Group	Related to main shareholder	112	199	-	12
Total current *			**112**	**199**	**-**	**11,373**

** The current receivables and liabilities have less than one year maturity.*

Note 5 Personnel expenses

USD thousands	2022	2021
WAGE COST		
Salaries	352	437
Payroll tax	51	80
Pension costs	19	21
Employee benefits	8	35
MANAGEMENT COMPENSATION:		
Board of directors fee	207	239
Cost of Share-option plan	197	528
Total personnel expenses	**834**	**1,340**

The company had two employees at 31 December 2022 and (three at 31 December 2021.)

For details of salary, variable pay and other benefits provided to the General Manager and compensation to the Board of Directors, refer to Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor in the Group Financial Statements.

Refer to Note 35 - Share-based payments in the Group Financial Statements for information about the Cost of Share-option plan.

No loans or guarantees have been given to the members of the board of directors.

Note 6 Operating expenses

USD thousands	Note	2022	2021
FEE TO THE AUDITOR (EXCLUDING VAT):			
Auditors fee		141	164
Other services from auditor		13	138
OTHER OPERATING EXPENSES:			
Service fee	4	106	127
Facility services	4	145	145
Fees legal and financial assistance		2,076	690
Travel expenses		19	-
Other expenses		71	65
Total operating expenses		**2,571**	**1,330**

Note 7 Financial income and expenses

USD thousands	Note	2022	2021
Interest income from subsidiaries	4	12,681	9,781
Other interest income		40	0
Total interest income		**12,721**	**9,781**

USD thousands	Note	2022	2021
Interest expenses borrowings from subsidiaries	4	(14,405)	(12,272)
Interest expense external borrowings	12	(827)	-
Other interest expenses		(0)	0
Total interest expenses		**(15,232)**	**(12,272)**

USD thousands		2022	2021
Guarantee commissions	4	2,166	3,014
Change in value of market-based derivatives	16	(1,331)	4,300
Net currency gain / (loss)		(388)	11
Total other financial items		**448**	**7,324**

Note 8 Investments in subsidiaries

Listing of directly owned subsidiaries

Company	Acquisition/ formation date	Registered office	Place of business	Shares owned	Voting rights	Functional currency	Share capital in USD	Profit / (loss) 2022	Equity as at 31.12.2022	Book value as at 31.12.2022
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	166,624	50,290	50,450
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	3,699	696,996	806,292
									TOTAL	**856,742**

Accounting policy

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow.

Changed during 2022

Refer to Consolidated Financial Statements Note 4 - Discontinued operations for information regarding the spin-off of Odfjell Technology in 2022.

Prior to executing the spin-off, an internal re-organisation was carried out and the relevant Well Services and Energy companies became subsidiaries of Odfjell Technology. This included the transfer of. the Company's shares in Odfjell Offshore Ltd, Odfjell Global Business Services AS.

Dividends received and impairment recognised

The Company received a dividend of USD 16 million from Odfjell Offshore Ltd. Following an impairment assessment, the Company recognised an impairment of USD 10 million to align book value of the investment with the calculated value in use. The company had no operations and the only assets was a bank deposit and receivables. Discount rate was not relevant. The shares were subsequently transferred to Odfjell Technology.

Following the completion of the spin-off, the Company received a dividend of USD 280 million from subsidiary Odfjell Drilling Services Ltd. An impairment assessment was performed, resulting in an impairment of USD 125 million being recognised to align book value of the investment with the calculated value in use. The company's only operation was as the holder of the Group Cash Pool and being holding company for companies without operations. Discount rate was not relevant.

Impairment assessment

Investment in subsidiaries are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment exceed the recoverable amount.

Refer to information above regarding impairment recognised in 2022.

Odfjell Drilling has not identified any additional impairment indicators for the investments as at 31.12.2022.

Note 9 Financial assets and liabilities

Financial instruments by category and level

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made 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 in Note 24 in the Consolidated Financial Statements. Changes in book value relate to fair value changes.

Fair value for instruments at amortised cost

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

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

USD thousands	Note	Level	31.12.2022	31.12.2021
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	16	2	529	-
OTHER FINANCIAL ASSETS				
- Non-current receivables subsidiaries	4		339,078	220,410
- Other current assets			129	1
- Cash and cash equivalents	11		1,951	826
Total assets as at 31.12			**341,686**	**221,237**

USD thousands	Note	Level	31.12.2022	31.12.2021
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Warrant liabilities - Other non-current liabilities	13	3	2,810	950
OTHER FINANCIAL LIABILITIES				
- Non-current interest-bearing borrowings	12		95,000	
- Non-current liabilities subsidiaries	4		25,753	273,217
- Other current liabilities			1,182	386
- Current interest-bearing liabilities subsidiaries	4		-	11,338
- Current liabilities subsidiaries	4		-	35
- Trade payables			83	74
Total liabilities as at 31.12.			**124,828**	**286,001**

Note 10 Other assets and liabilities

USD thousands	Note	31.12.2022	31.12.2021
Derivative financial instruments	16	529	-
VAT receivables		18	1
Other current receivables	4	129	-
Total other current assets		**675**	**1**

USD thousands	Note	31.12.2022	31.12.2021
Accrued interest expenses	12	827	-
Social security and other taxes		13	18
Accrued salaries, holiday pay and employee bonus provisions		82	82
Other accrued expenses		272	321
Total other current liabilities		**1,195**	**421**

Contingent liability - Letter of indemnity

Refer to Note 29 Contingencies in the Group Financial Statements for information about the letter of indemnity issued by the Company to Odfjell Technology Ltd.

Note 11 Cash and cash equivalents

USD thousands	31.12.2022	31.12.2021
Current account NOK	1,425	66
Current account USD	429	591
Current account GBP	97	170
Total cash and bank deposits	**1,951**	**826**

None of the bank deposits are restricted.

Note 12 Interest-bearing borrowings

Specification

USD thousands	Non-current 31.12.2022	Current 31.12.2022	Total 31.12.2022
Borrowings	95,000	-	95,000
Accrued interest expenses	-	827	827
Carrying amounts interest-bearing borrowings	**95,000**	**827**	**95,827**

New direct loan

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. The loan has a fixed interest rate of 9.5%.

Movements in interest-bearing borrowings are analysed as follows:

USD thousands	Non-current 2022	Current 2022	Total 2022
Carrying amount as at 1 January	-	-	-
CASH FLOWS:			
New borrowings	95,000	-	95,000
NON-CASH FLOWS:			
Change in accrued interest cost	-	827	827
Carrying amount as at 31 December	**95,000**	**827**	**95,827**

Note 13 Warrant Liabilities

Refer to Note 24 Market risk in the Group Financial Statements.

Note 14 Share capital and shareholders

Refer to Note 26 - Share capital and shareholder information in the Group Financial Statements.

Preference shares

The 16,123,125 preference shares were issued in 2018 to an affiliate of Akastor ASA.("Akastor"). 29 November 2022, Odfjell Rig Owning Ltd, a subsidiary of the Company, purchased the preference shares from Akastor. Warrants held by Akastor are not part of the transaction and will remain with Akastor.

The preference shares do not carry any voting rights. The Preference Shares will entitle the holder(s) to a preferred payment in kind dividend of 5% per annum capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually. The Company may elect to postpone the payment of the cash dividend in return for a 5% increase per annum. From 30 May 2024 there will be a dividend step-up, provided that the preference capital has not been repurchased. The Company does not have any obligation to repay the Preference Shares, but have the right to call a portion, or all of the preference shares in exchange for a cash consideration. If the Preference Shares are called before six years after the issue the company will have to pay a premium.

The holders of preference shares do not have the right to participate in any additional dividends declared for ordinary shareholders.

Cash dividend paid in 2022

The Company paid cash dividends of USD 2.2 million in June 2022 (USD 0.131 per share) to Akastor as the holder of the preference shares at that point. In December 2022 the Company distributed a cash dividend of USD 2.3 million (USD 0.143 per share) to Odfjell Rig Owning Ltd. The dividend was offset in the loan agreement with the subsidiary.

Preferred payment in kind dividend - 2022

At 30 June 2022 and at 31 December 2021 preferred payment in kind dividend in a total of USD 4.5 million was capitalised, increasing the accrued preference capital balance to USD 94 million.

Note 15 Guarantees and securities

Guarantees from the company in relation to subsidiaries' loan agreements

Odfjell Drilling Ltd has furnished an On-Demand Guarantee under the following facility agreements:

- USD 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 253.2 million.
- USD 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 20 million sellers credit agreement entered into on 28 November 2022 with Odfjell Rig Owning as buyer, Akastor AS as seller. The liability of Odfjell Drilling Ltd as guarantor shall be limited to USD 25 million in addition to interest and costs and expenses.

Other securities

Refer to Note 28 - Securities and mortgages in the Consolidated Financial Statements.

Guarantees from the company in relation to subsidiaries' other agreements

Odfjell Drilling Ltd., has issued parent company guarantee related to Odfjell Drilling AS' property rental contract with Odfjell Land AS Group.

Parent company guarantees in relation to the subsidiaries' loan agreements:

USD thousands	31.12.2022	31.12.2021
Loan agreement in Odfjell Drilling Services Ltd.	-	180,898
Loan agreement in Odfjell Invest Ltd., senior facility	359,262	440,052
Loan agreement in Odfjell Invest Ltd., junior facility	130,035	130,000
Loan agreement in Odfjell Rig III Ltd.	253,200	253,200
Loan agreement in Odfjell Rig V Ltd.	314,708	347,227
Seller's credit in Odfjell Rig Owning Ltd	25,178	-
Total guarantee liabilities	**1,082,383**	**1,351,376**

Book value of assets pledged as security

USD thousands	31.12.2022	31.12.2021
Shares in Odfjell Offshore Ltd.	-	127,405
Shares in Odfjell Rig Owning Ltd.	806,292	806,121
Shares in Odfjell Drilling Services Ltd.	-	175,450
Shares in Odfjell Global Business Services AS	-	494
Intra-group receivables (Odfjell Drilling group)	339,078	220,410
Bank deposits	1,951	826
Total book value of assets pledged as security	**1,147,321**	**1,330,707**

Note 16 Financial Risk Management

Refer to Note 22 - Financial risk management in the Group Financial Statements.

Liquidity risk

The liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries.

The amounts disclosed in the table are the contractual non-discounted cash flows. The table include estimated interest payments for drawn facilities at the balance sheet date, based on the remaining period at the end of the reporting period to the contractual maturity date.

Maturity of financial liabilities - 31.12.2022

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current interest-bearing borrowings	4,588	4,563	9,175	108,688	-	127,014	95,827
Non-current liabilities subsidiaries	923	923	1,847	27,969	-	31,662	25,753
Other current liabilities	355					355	355
Trade payables	83					83	83

In addition to the financial liabilities listed in table above, the company has issued guarantees in relation got subsidiaries' loans agreements. See further information in Note 15.

Maturity of financial liabilities - 31.12.2021

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities subsidiaries	6,557	6,557	13,114	297,260	-	323,489	273,217
Current interest-bearing liabilities subsidiaries	366	366	732	11,827	-	13,291	11,338
Other current liabilities	386	-	-	-	-	386	386
Other current liabilities subsidiaries	35	-	-	-	-	35	35
Trade payables	74	-	-	-	-	74	74

Foreign exchange risk

The Company has foreign exchange contracts at fair value through profit and loss.

Foreign currency contracts	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2022						
Buy foreign currency (at fair value through profit or loss)	NOK	290,000	30.05.2023	n/a	0.10345	825
Sell foreign currency (at fair value through profit or loss)	NOK	321,300	30.05.2023	n/a	0.09337	(296)

Amounts recognised in profit and loss:

USD thousands	31.12.2022	31.12.2021
FOREIGN EXCHANGE CONTRACTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	529	-
WARRANT LIABILITY - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	(1,860)	4,300

Foreign exchange risk – Exposure 31.12.2022

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	1,425	97	-
FOREIGN CURRENCY CONTRACTS			
Buy foreign currency (at fair value through profit or loss)	29,420	-	-
Sell foreign currency (at fair value through profit or loss)	32,595	-	-

Foreign exchange risk – Sensitivity

The company is to a limited extent exposed to changes in USD/NOK exchange rates. If USD is strengthened by 10% against NOK, the reduction Cash and cash equivalents of USD 0.13 million will reduce net profit before taxes. If USD is weakened by 10% against NOK, the increase Cash and cash equivalents of USD 0.16 million will increase net profit before taxes.

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 4 - Related parties - transactions, receivables and liabilities. Both receivables and liabilities are variable rate borrowings based on LIBOR. Should LIBOR increase by 1%, interest income would increase by USD 3.4 million, while interest expenses would increase by USD 0.3 million, resulting in a net increase of profit before taxes of USD 2.9 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 4 - Related parties - transactions, receivables and liabilities. Furthermore, the Company has issued financial guarantees to subsidiaries as listed in Note 15 - Guarantees and Securities.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables and financial guarantee contracts mentioned above has not increased significantly since initial recognition, and the company therefore measures the loss allowance to an amount equal to 12-months expected credit losses.

Due to the low estimated probability of default in the next 12-month period no loss provision is recognized.

Note 17 Income taxes

Odfjell Drilling Ltd. is registered in Bermuda.

There is no Bermuda income, corporation, or profit tax, withholding tax, capital gains, capital transfer tax, estate duty or inheritance tax payable by the company or its shareholders not ordinarily resident in Bermuda. The company is not subject to Bermuda stamp duty on the issue, transfer or redemption of its shares.

The company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1996 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 2035 be applicable to the company or to any of its operations, or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.

As an exempted company, the company is liable to pay a registration fee in Bermuda at a rate presently amounting to USD 19,605 per annum.

The company is from 11 December 2018 tax resident in the United Kingdom as a consequence of the Special General Meetings resolution 11 December 2018, amending then Bye-laws and subsequently changing the composition of the Board of Directors to a majority of UK residents. The company is as all United Kingdom resident companies residents liable for UK corporate income taxes.

The company did not pay any taxes to the United Kingdom for the fiscal year 2021, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2022.

Income tax reconciliation

USD thousands	2022	2021
Profit / (loss) before tax	152,870	2,247
Tax calculated at domestic tax rate - 19%	(29,045)	(427)
Effect of non-taxable income and expenses	29,573	(100)
Effect of group relief	(528)	527
Total income tax expense	-	-

Note 18 Earnings per share

USD thousands	2022	2021
Profit/(loss) for the period	152,870	2,247
Adjustment for dividends on preference shares	(9,066)	(8,629)
Profit/(loss) for the period due to holders of common shares	**143,804**	**(6,382)**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**143,804**	**(6,382)**

Refer to Note 36 - Earnings per share in the Group Financial Statements for accounting policy and further description

	2022	2021
Weighted average number of common shares in issue	236,783,202	236,783,202
EFFECTS OF DILUTIVE POTENTIAL COMMON SHARES:		
Warrants	-	-
Share option plan	-	-
Diluted average number of shares outstanding	**236,783,202**	**236,783,202**

	2022	2021
Basic earnings per share	0.61	(0.03)
Diluted earnings per share	0.61	(0.03)

Note 19 Events after the reporting period

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

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2022 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

The Board of Odfjell Drilling Ltd.

19 April 2023, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Auditors Report

KPMG AS
Kanalveien 11
P.O. Box 4 Kristianborg
N-5822 Bergen

Telephone +47 45 40 40 63
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Odfjell Drilling Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Odfjell Drilling Ltd, which comprise:

- the financial statements of the parent company Odfjell Drilling Ltd (the Company), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- the consolidated financial statements of Odfjell Drilling Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards

Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for two years from the election by the general meeting of the shareholders on 21 September 2021 for the accounting year 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Contingent liability – Letter of indemnity

Reference is made to Note 3 Critical accounting estimates and judgements, Note 29 Contingencies and the Board of Directors report section "Risk Review" paragraph "Liquidity risk".

The Key Audit Matter	How the matter was addressed in our audit
On 28 March 2022 Odfjell Drilling Ltd (Company) spun off its Well Services and Energy segments (the "Spin Off") with the distribution and listing of the subsidiary Odfjell Technology Ltd. ("OTL"). Prior to executing the Spin Off, an internal re-organisation was carried out, where among other transactions, the Company contributed its shares in the subsidiary Odfjell Offshore Ltd. to OTL. Odfjell Offshore Ltd has an ongoing tax inquiry from the Norwegian Tax Authorities related to a tax deduction in 2017 of approximately NOK 2.3 billion. Odfjell Drilling Ltd has issued a letter of indemnity to 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 payments to the Norwegian Tax Authorities, and expenses incurred in any legal proceedings. A decision notice was issued by the tax authorities in December 2022, informing of their conclusion that Odfjell Offshore Ltd is denied the tax loss. The tax loss had been utilized to offset taxes from 2017 until 2021. Consequently, Odfjell Offshore Ltd is imposed payable taxes amounting to approximately USD 31 million for the period. This amount was funded by the Company and paid by Odfjell Offshore Ltd to the Norwegian Tax Authorities in February 2023.	Our audit procedures in this area included: • Inquiries with the regulatory and tax team of the Group and examination of correspondence and documentation in respect of the case to understand the status and position of the tax case. • Engaging a KPMG taxation specialist to assist us in forming an independent view on the likelihood of an adverse outcome for the Group. • Inspecting, together with our specialist, the advice received from external legal counsel engaged by the Group to understand and challenge the Group's current position. • Communicating with the Group's external counsel to assess the current status, developments and the options available to appeal the decision. • Discussing the legal advice obtained, judgment applied and the relevant accounting framework with Those Charged With Governance of the Company. • Evaluating the adequacy of the financial statement disclosures, including an estimate of the potential financial effect of the contingent liability.

Odfjell Offshore Ltd will appeal the decision. Management and directors of the Company have determined that no provision should be recognised in respect of this claim as at 31 December 2022 as they believe that it is more likely than not that the final outcome will not result in a liability for the Group. On this basis the Group have disclosed the matter as a contingent liability. Judgement is required by management to assess whether the matter, satisfies the recognition criteria for a provision, or should continue to be disclosed as a contingent liability. As the matter involves a uncertainty and judgement, as well as the exposure is considered significant this is considered a key audit matter.	

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the reporting on Corporate Social Responsibility, as included in the Board of Directors report, and the Corporate Governance Report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of Odfjell Drilling Ltd we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 529900M08ZU24JXMPB85-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

London, 19 April 2023
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Definitions Of Alternative Performance Measures

CONTRACT BACKLOG

The Company's fair estimation of revenue in firm contracts and relevant optional periods for 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 (LOSS) PROFIT

Equal to Profit (loss) for the period

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
A Adjusted financial indebtedness	**USD**	**880.1**	**MILLION**
Cash and cash equivalents	USD	157.2	million
Adjustment for restricted cash and other cash not readily available	USD	(21.6)	million
B Adjusted cash and cash equivalents	**USD**	**135.6**	**MILLION**
A-B=C Adjusted Net interest-bearing debt	**USD**	**744.5**	**MILLION**
EBITDA last 12 months	USD	308.0	million
Adjustment for effects of real estate leases	USD	(4.8)	million
D Adjusted EBITDA	**USD**	**303.2**	**MILLION**
C/D=E Leverage ratio		**2.5**	

For more information visit

www.odfjelldrilling.com

odfjell drilling

Design & Production: POMELO-PARADIGM