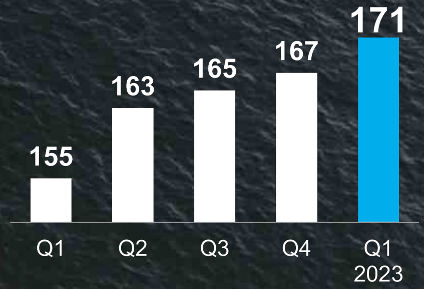
odfjell drilling

Q1 2023 Results

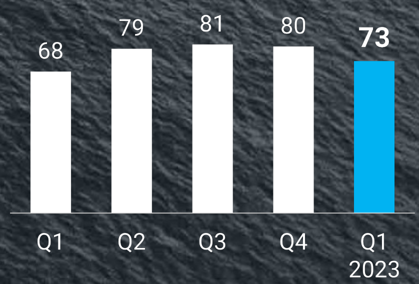
5 May 2023

Q1 Key Financials

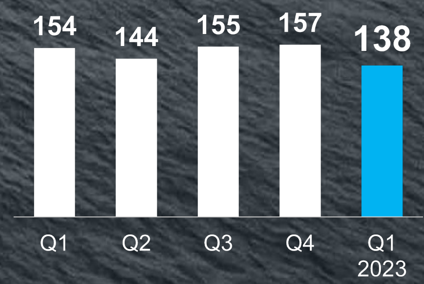
REVENUE ($m)



EBITDA ($m)



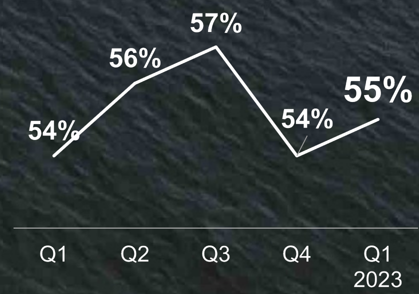
CASH ($m)



LEVERAGE RATIO

NET DEBT ($m)

EQUITY RATIO



Q1 Highlights

Strong operational performance across the business, with good progress made on key activities.

Fully deployed own fleet, achieving 97.9% financial utilisation with increasing external fleet activity

- The Deepsea Aberdeen, Deepsea Atlantic and Deepsea Stavanger remained on contract with Equinor during the period, drilling on Breidablikk, Johan Sverdrup Phase 2 and various exploration projects respectively
- The Deepsea Nordkapp was on contract with Aker BP, drilling on the Alvheim area development
- The Deepsea Bollsta was on contract throughout the period with Shell in Namibia
- The Deepsea Yantai was largely on contract with OMV in February and March, following a brief idle period in January
- The Deepsea Mira was quay side for much of the period, however was mobilised for operations with Total for its multi country contract in West Africa
- Renewed Semi Alliance agreement for further 5 years, ensuring a close relationship with members of the Alliance, Aker BP ASA and Haliburton AS

Expanded backlog to $2.3bn, following contract wins at strong rates; solidifying forward cash generation

- Signed two Letters of Intent for the Deepsea Atlantic, for operations in the North Sea at strong dayrates
  - Combined, the two LOI's cover a period of 23 months for a total contract value of $290m, excluding integrated services, upgrades / modifications or mobilisation fees
  - The two LOI's include provisions for performance bonuses and fuel incentives not included in the total contract value
  - In addition to the firm period, there are four higher priced one well options and three additional optional periods of approximately one-year each with the rates for each period to be mutually agreed prior to exercising
- Added further activity for the Deepsea Yantai with PGNiG Upstream Norway AS; extending the firm backlog for the Deepsea Yantai to Q3 2024
- Added firm scope with Equinor for use of the Deepsea Aberdeen on the Svalin field as well as more firm wells for the Deepsea Stavanger under its existing option agreement.

Q1 Highlights continued

Continued financial discipline and cost control

- Strong revenue generation during the period of $171m as a result of increased activity of our external fleet and continued high utilisation
- Leverage ratio and equity ratio of 2.4x and 55% respectively, reflecting the Company's continued focus on capital discipline
- Material progress on the Company's planned refinancing
- Strong cash position of $138m, despite payment of $31m to Odfjell Technology in regards to the previously announced tax ruling from the Norwegian Tax Authority (See note 11)

New appointments to the board and executive management team

- Appointed Knut Hatleskog as a Non-Executive Director of the Company, expanding the Company's board to four
- Appointed Jakob Korsgaard as Chief Operating Officer of Odfjell Drilling AS

Key figures for the Group

All figures in USD million	Q1 23	Q1 22	FY 22
Operating revenue	171	155	650
EBITDA	73	68	308
EBIT	28	27	137
Net profit (loss)	2	21	83
EBITDA margin	43%	44%	47%
Total assets	2,192	2,287	2,219
Net interest bearing debt	687	713	685
Equity	1,206	1,246	1,208
Equity ratio	55%	54%	54%

A Period of Focus

Towards the end of the quarter, the Company announced the signing of two Letters of Intent with a client for operations in the North Sea. The two LOI's run concurrent to one another and include 23 months of continual operations for the Deepsea Atlantic. Under the terms of the LOI's, the total contract value is approximately USD 290 million, excluding any integrated services, upgrades / modifications or mobilisation fees. In addition, the contract also includes provisions for performance bonuses and fuel incentives.

With a strong contract agreed and to prepare the Deepsea Atlantic for the operations defined in the contract as well as future potential opportunities, the Company, together with the client, have decided to upgrade the Subsea Blowout Preventer ("BOP") on the Deepsea Atlantic with a new unit. This investment will increase the capabilities of the rig significantly; further enhancing its value and long-term competitiveness. The Company expects that a new BOP and control system will cost USD 40 million and will not result in any additional or unplanned downtime for the rig. The client has agreed to provide interest free funding of USD 20 million to finance the BOP, which will be repayable over 5 years.

During the quarter, the Company has returned strong financial results and has maintained its focus on capital discipline. The Company returned significant revenue given the harsher weather and fewer days in the period, and we maintained a strong cash position of USD 138 million, despite payment of the previously announced USD 31 million to Odfjell Technology Ltd. The Company's balance sheet reflects its focus on deleveraging which the Company expects to continue.

Segments

Own Fleet

All figures in USD million	Q1 23	Q1 22	FY 22
Operating revenue	134	139	567
EBITDA	70	69	304
EBIT	25	30	137
EBITDA margin	52%	50%	54%

(Comparable figures for last comparable period in brackets)

Q1 2023

Operating revenue for the Own Fleet segment in Q1 2023 was USD 134 million (USD 139 million). The main driver for the decrease is negative variance for Deepsea Nordkapp of USD 5 million, driven by a lower daily rate from Aker BP after the market adjustment set in Q1 2021 took effect in June 2022, and Deepsea Aberdeen lower daily rate in the Equinor contract, which started in May 2022, compared to the BP/Wintershall contract. Deepsea Atlantic has a negative variance of USD 2 million due to high add on sales during Q1 2022. The negative variance is offset by a positive variance for Deepsea Stavanger of USD 4 million due to full utilisation during the first quarter in 2023 compared to idle time between the Lundin and Equinor contract during first quarter in 2022.

EBITDA for the Own Fleet segment in Q1 2023 was USD 70 million (USD 69 million), driven by improved EBITDA for Deepsea Stavanger (USD 4 million) and Deepsea Atlantic (USD 2 million), but offset by reduced EBITDA for Deepsea Aberdeen (USD 3 million) and Deepsea Nordkapp (USD 2 million).

Own Fleet - Financial utilisation

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

	Q1 23	Q1 22	FY 22
Deepsea Stavanger	95.6 %	96.2 %	96.9 %
Deepsea Atlantic	98.4 %	97.1 %	97.7 %
Deepsea Aberdeen	98.0 %	97.8 %	98.7 %
Deepsea Nordkapp	99.4 %	99.4 %	99.2 %

- Deepsea Stavanger, Deepsea Atlantic and Deepsea Aberdeen have been operating for Equinor on the NCS during Q1 2023. The lower utilisation on Deepsea Stavanger is due to reduced rate during rig move and waiting on weather.
- Deepsea Nordkapp has been operating for Aker BP on the NCS during Q1 2023.

External Fleet

All figures in USD million	Q1 23	Q1 22	FY 22
Operating revenue	36	15	78
EBITDA	5	1	11
EBIT	5	1	11
EBITDA margin	14%	9%	14%

(Comparable figures for last comparable period in brackets)

Q1 2023

Operating revenue for the External Fleet in Q1 2023 was USD 36 million (USD 15 million). The main drivers for the increase are the new additions to the fleet, Deepsea Mira, Deepsea Bollsta and Hercules. The management agreements for Deepsea Mira and Deepsea Bollsta started during Q1 2022, while the commercial management for Hercules started during Q2 2022. The full management scope of Hercules was transferred to Odfjell Drilling AS during December 2022.

EBITDA for the External Fleet in Q1 2023 was USD 5 million (USD 1 million). Deepsea Yantai was idle at yard during January and has been working for OMV in February and March. The rig is currently working with Wellesley. Deepsea Bollsta has worked the entire Q1 for Shell Namibia. Deepsea Mira was quay side during Q1 at Hanøytangen undergoing reactivation and is mobilising for the Total multi country contract in West Africa. Hercules was quay side at Hanøytangen undergoing reactivation and mobilisation for the Exxon contract in Canada during Q1, and is now in dry dock.

As the rigs start operations there will be corresponding lift in management fees.

Consolidated group financials

(Comparable figures for last comparable period in brackets)

Profit or loss Q1 2023

Operating revenue for Q1 2023 was USD 171 million (USD 155 million), an increase of USD 16 million, due to increased activity in both segments.

EBITDA in Q1 2023 was USD 73 million (USD 68 million), an increase of USD 5 million. The EBITDA margin in Q1 2023 was 43% (44%).

Depreciation and amortisation cost in Q1 2023 was USD 45 million (USD 41 million), an increase of USD 4 million.

Net financial expenses in Q1 2023 amounted to USD 24 million (USD 6 million), an increase of USD 19 million. Interest expenses have increased by USD 5 million, there is a negative change of USD 4.5 million in net currency gains and losses compared to plus USD 2 million in Q1 2022, and fair value changes was minus USD 2.5 million versus plus USD 5 million in Q1 2022.

Net profit from continuing operations in Q1 2023 was USD 2 million (USD 21 million).

Cash flow Q1 2023

Net cash flow from continuing operating activities in Q1 2023 was USD 56 million (USD 63 million). The Group paid net interest of USD 15 million.

Net cash outflow from investing activities in Q1 2023 was USD 45 million (USD 8 million). USD 14 million was paid for purchases of fixed assets in continuing operations, while USD 31 million was paid regarding the letter of indemnity to Odfjell Technology Ltd as part of discontinued operations. Refer to Note 11 for further information.

Net cash outflow from financing activities in Q1 2023 was USD 25 million, and was due to instalments on credit facilities and leases.

Balance sheet

Total assets as at 31 March 2023 amounted to USD 2,192 million (USD 2,219 million as at 31 December 2022), a decrease of USD 27 million.

Total equity as at 31 March 2023 amounted to USD 1,206 million (USD 1,208 million as at 31 December 2022), a decrease of USD 2 million.

Net interest bearing debt as at March 2023 amounted to USD 687 million (USD 685 million as at 31 December 2022), an increase of USD 2 million.

At March 2023, cash amounted to USD 138 million. There has been a negative change of USD 19 million since 31 December 2022, mainly related to the USD 31 million payment to Odfjell Technology regarding the letter of indemnity to fund the upfront payment made by Odfjell Offshore Ltd to the Norwegian Tax Authorities.

Environmental, social and governance

Post-period, Odfjell Drilling published its 2022 Sustainability Report in accordance with the GRI 2021 standards. This report aims to present the Group's performance and progress towards achieving our goals in the wider context of sustainability, drawing on objective and available information, and authoritative measures of sustainable development for the material topics covered. This is the first report following the spin-off of Odfjell Technology. At Odfjell Drilling, our commitment to delivering sustainable, safe, and efficient operations remains steadfast.

Karoline Flåte was appointed as VP Sustainability at Odfjell Drilling with effect from April 1st, 2023. In this role, she will work closely with all functions to realise Odfjell Drilling's ambition regarding ESG performance.

Zero Emission Drilling

Odfjell Drilling has invested around $50 million in carbon-efficiency projects across our fleet, with $21m being spent in 2022 alone. We have further initiatives planned for 2023 which will solidify our position as one of the most efficient drillers compared to our peers globally.

The Odfjell Technology Ltd. spin-off in 2022 has resulted in certain changes of baseline and recalculations.

Several emission reducing initiatives have been implemented, including upgrading our onboard cooling and ventilation systems, installing flywheel and battery technologies, and installation of a direct current grid system. In addition, Deepsea Nordkapp has been outfitted with an exhaust cleaning system which limits NOx emissions.

A pilot project was also concluded onboard the Deepsea Atlantic, which saw one of the engines onboard the rigs running entirely on renewable biofuel. For more detailed information, see the 2022 Sustainability Report.

Climate risk assessment

With the support of external advisors, a report on Odfjell Drilling's climate risk assessment has been conducted after workshops were held to educate cross functional teams from corporate, risk management, finance, supply chain, HR, and technical disciplines, to explore risks and opportunities faced by the Group with climate change. From this we have identified the main risks, their impact on the group, possible actions and are working on quantifying these risks for future reporting. Both opportunities and risk, transitional and physical was identified, see more in the Sustainability Report.

Outlook

Following strong commodity pricing through the period, we continue to see good appetite for our services and the Company remains in tender processes both in the North Sea and globally.

In our core area of the offshore drilling market, we see a continual lack of supply of harsh environment or Tier 1 vessels such as those within our fleet and no signs of any pick up in the newbuild market.

Considering the Norwegian Continental Shelf specifically, where much of our fleet has been deployed historically, during the period we noted additional units contracted to leave the area, further reducing supply and availability. This is in contrast to significant amounts of planned activity on the shelf and along with prior months activities have resulted in increased dayrates for our services.

This is evidenced by the Letters of Intent signed between Odfjell Drilling and an undisclosed client for the Deepsea Atlantic, for operations in the North Sea for a combined total contract value of $290 million over a period of 23 months of drilling activity. Looking ahead, we see continued interest in the Norwegian Continental Shelf, in particular for the use of our units, and expect to see further contracts with similar dayrates being signed.

Despite the impact of the energy profits levy in the UK, we continue to be involved in multiple opportunities in the UK.The West of Shetland in particular is an area in which we expect to see further activity.

Also during the period, we saw further interest and opportunities outside of the North Sea, particularly in places such as Brazil, Australia, Canada and West Africa.

We note the positive developments by Shell and other operators offshore Namibia particularly, which continue to provide exciting opportunities for our fleet. We expect interest for our services to continue and potentially increase in this area, which we are becoming specialists in operating in.

Company Outlook

The outlook for the group remains strong. In the quarter ahead, we have firm contracts in place which will see all of our own rigs as well as our managed rig, the Deepsea Yantai, fully utilised and deployed in operations on the Norwegian Continental Shelf. In addition, during Q2 the Deepsea Mira will start its planned contract in West Africa, joining the Deepsea Bollsta which is also contracted in West Africa throughout Q2. Further, we expect during Q2 for the Hercules to be deployed for its planned contract with ExxonMobil in Canada, following completion of its ongoing Special Periodic Survey ("SPS").

We have firm contracts in place for all of our own units throughout 2023 and beyond. Mid 2023, we will see the beginning of increased dayrates for all our owned units; with the Deepsea Nordkapp and Deepsea Stavanger moving onto higher dayrates from the end of Q2 and the Deepsea Aberdeen and Deepsea Atlantic moving onto higher dayrates from around the end of Q3.

In addition, we expect further revenue generation from our external units, which other than the Hercules are entirely contracted for operations throughout the rest of 2023.

Risks and uncertainties

In the Group's view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients' spending budgets, cost inflation, access to qualified resources and developments in the financial and fiscal markets. Furthermore, as Odfjell Drilling's fully owned fleet consists of four units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results relatively more than for a group with a larger fleet. In order to avoid operational downtime with potential impact on the Group's results, and to secure long term order backlog, Odfjell Drilling has invested significant time and efforts to maintain a safe, predictable and profitable performance.

Losses incurred by many financial institutions related to previous years' volatility and company restructurings in our industry, has led many financial institutions to target a shift in focus and exposure away from rig and oil services companies. 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, the Group's debt facilities are maturing at different times up to June 2026. The Group is in advanced discussions with key banks and is also considering alternative capital sources. The Group expects to be successful in securing new or extended financing prior to maturity of the loans.

The Group has a continuous focus on cost reductions, efficiency improvement programs and capital discipline in order to maintain its competitiveness.

Quality, health, safety & environment (QHSE)

Key figures QHSE	YTD 23	FY 22
Lost time incident frequency (as per 1 million working hours)	1.0	0.7
Total recordable incident frequency (as per 1 million working hours)	4.5	4.8
Sick leave (percentage)	4.6	5.1
Dropped objects frequency (as per 1 million working hours)	3.2	4.8

London, United Kingdom

4 May 2023

Board of Directors of Odfjell Drilling Ltd.

Simen Lieungh, Chair

Helene Odfjell, Director

Harald Thorstein, Director

Knut Hatleskog, Director

Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement

USD million	Note	Q1 23	Q1 22	FY 22
CONTINUING OPERATIONS				
Operating revenue	2,3	**170.9**	**154.8**	**649.5**
Other gains and losses		-	-	0.0
Personnel expenses		(63.7)	(53.7)	(206.5)
Other operating expenses		(34.3)	(33.1)	(135.0)
EBITDA		**72.9**	**68.0**	**308.0**
Depreciation and amortisation	5,6	(45.2)	(40.7)	(171.5)
Operating profit (EBIT)		**27.7**	**27.3**	**136.5**
Net financial items	4	(23.7)	(5.5)	(48.3)
Profit before taxes		**4.0**	**21.8**	**88.3**
Income taxes		(2.0)	(1.2)	(5.4)
Net profit from continuing operations		**2.0**	**20.6**	**82.9**
Profit from discontinued operations		-	46.7	46.7
Profit (loss)		**2.0**	**67.3**	**129.6**
Profit (loss) attributable to:				
Owners of the parent		2.0	67.3	129.6
EARNINGS PER SHARE (USD)				
Basic earnings per share	13	0.01	0.27	0.51
Diluted earnings per share	13	0.01	0.27	0.51
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (USD)				
Basic earnings per share	13	0.01	0.08	0.32
Diluted earnings per share	13	0.01	0.08	0.32

Condensed Consolidated Statement of Comprehensive Income

USD million	Q1 23	Q1 22	FY 22
PROFIT (LOSS)	**2.0**	**67.3**	**129.6**
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations (net of tax)	-	-	(0.0)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	(1.8)	6.7	10.0
Currency translation differences	(2.9)	(3.4)	(8.9)
Reclassification of foreign currency translation reserve	-	27.0	27.0
Other comprehensive income, net of tax	**(4.7)**	**30.2**	**28.0**
Total comprehensive income	**(2.7)**	**97.5**	**157.6**
Total comprehensive income attributable to:			
Owners of the parent	(2.7)	97.5	157.6

Condensed Consolidated Statement of Financial Position

USD million	Note	31.03.2023	31.03.2022	31.12.2022
ASSETS				
Property, plant and equipment	5	1,908.3	1,996.1	1,937.9
Intangible assets	6	3.1	3.8	3.4
Deferred tax asset		0.6	-	0.4
Non-current receivable	11	29.6	-	-
Other non-current assets	9	5.7	4.1	7.5
Total non-current assets		**1,947.3**	**2,004.0**	**1,949.2**
Trade receivables		90.9	95.1	91.0
Contract assets		8.2	9.9	8.6
Other current assets	9	7.7	24.6	13.3
Cash and cash equivalents		138.3	153.9	157.2
Total current assets		**245.1**	**283.3**	**270.1**
TOTAL ASSETS		**2,192.4**	**2,287.4**	**2,219.3**

USD million	Note	31.03.2023	31.03.2022	31.12.2022
EQUITY AND LIABILITIES				
Paid-in capital	12	370.2	445.2	370.2
Other equity		835.7	800.8	838.3
Total equity		**1,205.8**	**1,246.0**	**1,208.5**
Non-current interest-bearing borrowings	7	469.9	726.6	529.0
Non-current lease liabilities	8	36.1	36.4	41.7
Deferred tax liability		-	0.4	-
Other non-current liabilities	9	2.5	3.7	3.4
Total non-current liabilities		**508.4**	**767.1**	**574.1**
Current interest-bearing borrowings	7	355.0	140.6	313.5
Current lease liabilities	8	26.0	13.2	26.5
Contract liabilities		9.0	26.3	13.7
Trade payables		34.6	41.5	35.8
Other current liabilities	9	53.5	52.7	47.2
Total current liabilities		**478.2**	**274.2**	**436.7**
Total liabilities		**986.6**	**1,041.4**	**1,010.8**
TOTAL EQUITY AND LIABILITIES		**2,192.4**	**2,287.4**	**2,219.3**

Condensed Consolidated Statement of Changes in Equity

USD million	Paid-in capital	Other equity	Attributable to owners of the parent	Attributable to common shares	Attributable to preference shares	Total equity
Balance at 1 January 2022	**565.0**	**703.2**	**1,268.2**	**1,178.6**	**89.5**	**1,268.2**
Profit/(loss) for the period	-	67.3	67.3	65.1	2.2	67.3
Other comprehensive income for the period	-	30.2	30.2	30.2	-	30.2
Total comprehensive income for the period	**-**	**97.5**	**97.5**	**95.3**	**2.2**	**97.5**
Distribution of shares in Odfjell Technology Ltd. to common shareholders	(119.8)	-	(119.8)	(119.8)	-	(119.8)
Cost of share-based option plan	-	0.1	0.1	0.1	-	0.1
Transactions with owners	**(119.8)**	**0.1**	**(119.7)**	**(119.7)**	**-**	**(119.7)**
Balance at 31 March 2022	**445.2**	**800.8**	**1,246.0**	**1,154.2**	**91.7**	**1,246.0**
Total comprehensive income for the period Q2-Q4	-	60.1	60.1	54.1	6.1	60.1
Transactions with owners for the period Q2-Q4	(75.0)	(22.6)	(97.6)	0.2	(97.8)	(97.6)
Balance at 31 December 2022	**370.2**	**838.3**	**1,208.5**	**1,208.5**	**-**	**1,208.5**
Profit/(loss) for the period	-	2.0	2.0	2.0	-	2.0
Other comprehensive income for the period	-	(4.7)	(4.7)	(4.7)	-	(4.7)
Total comprehensive income for the period	**-**	**(2.7)**	**(2.7)**	**(2.7)**	**-**	**(2.7)**
Cost of share-based option plan	-	0.1	0.1	0.1	-	0.1
Transactions with owners	**-**	**0.1**	**0.1**	**0.1**	**-**	**0.1**
Balance at 31 March 2023	**370.2**	**835.7**	**1,205.8**	**1,205.8**	**-**	**1,205.8**

Condensed Consolidated Statement of Cash Flows

USD million	Note	Q1 23	Q1 22	FY 22
Cash flows from operating activities:				
Profit/(loss) before tax from continuing operations		4.0	21.8	88.3
Profit before tax from discontinued operations		-	10.3	10.3
Adjustment for interest, provisions and non-cash elements		67.6	64.4	232.7
Changes in working capital		(0.6)	(8.9)	(8.9)
Cash generated from operations		**71.0**	**87.5**	**322.4**
Net interest paid		(14.6)	(11.3)	(45.0)
Net income tax paid		(0.0)	(0.9)	(2.1)
Net cash flow from operating activities		**56.4**	**75.4**	**275.2**
-of which from continuing operations		56.4	63.2	263.0
Cash flows from investing activities:				
Purchase of property, plant and equipment	5,6	(13.9)	(23.1)	(66.6)
Proceeds from grants		-	6.4	6.4
Proceeds from sale of property, plant and equipment		-	0.8	0.9
Disposal of discontinued operations, net cash disposed of		-	(49.7)	(49.7)
Payment regarding letter of indemnity to Odfjell Technology Ltd.	11	(30.8)	-	-
Other investing activities		-	(2.0)	(2.0)
Net cash flow from investing activities		**(44.6)**	**(67.5)**	**(111.0)**
-of which from continuing operations		(13.9)	(8.5)	(52.0)
Cash flows from financing activities:				
Proceeds from borrowings		-	146.5	241.5
Repayment of borrowings	7	(19.6)	(171.1)	(317.1)
Repayment of lease liabilities	8	(5.5)	(3.2)	(18.6)
Payment acquisition of treasury preference shares		-	-	(75.2)
Dividends paid to preference shareholders		-	-	(2.2)
Net cash flow from financing activities		**(25.1)**	**(27.8)**	**(171.6)**
-of which from continuing operations		(25.1)	(173.7)	(317.5)
Effects of exchange rate changes on cash and cash equivalents		(5.6)	0.7	(8.5)
Net increase (decrease) in cash and cash equivalents		**(18.9)**	**(19.2)**	**(15.9)**
Cash and cash equivalents at beginning of period		157.2	173.0	173.0
Cash and cash equivalents at period end		**138.3**	**153.9**	**157.2**

Note 1 Accounting Principles

General information

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

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

These condensed interim financial statements were approved by the Board of Directors on 4 May 2023 and have not been audited.

Basis for preparation

These condensed interim financial statements for the three months period ended 31 March 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022.

Accounting principles

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

Use of estimates

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

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

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

Note 2 Segment summary

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

The Group provides drilling and related services to oil and gas companies. The group owned four drilling units during 2022 and 2023 with similar services, revenues, customers and production processes. Own drilling units (Own Fleet) is therefore assessed as one operating segment. The same applies for rig management services provided to other owners of other drilling units (External Fleet).

Own Fleet

The segment operates drilling units owned by Odfjell Drilling.

External Fleet

The segment offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

	Own Fleet			External Fleet			Corporate / other			Consolidated		
USD million	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22
External segment revenue	133.9	139.2	567.3	36.1	15.1	78.0	0.8	0.6	4.3	170.9	154.8	649.5
Inter segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	**133.9**	**139.2**	**567.3**	**36.1**	**15.1**	**78.0**	**0.8**	**0.6**	**4.3**	**170.9**	**154.8**	**649.5**
EBITDA	**69.6**	**69.3**	**303.9**	**5.0**	**1.4**	**11.0**	**(1.7)**	**(2.7)**	**(7.0)**	**72.9**	**68.0**	**308.0**
Depreciation and amortisation	(44.4)	(39.3)	(167.1)	-	-	-	(0.8)	(1.3)	(4.4)	(45.2)	(40.7)	(171.5)
EBIT	**25.2**	**30.0**	**136.9**	**5.0**	**1.4**	**11.0**	**(2.5)**	**(4.0)**	**(11.3)**	**27.7**	**27.3**	**136.5**
Net financial items										(23.7)	(5.5)	(48.3)
PROFIT BEFORE TAX - CONSOLIDATED GROUP										**4.0**	**21.8**	**88.3**

Note 3 Revenue

USD million	Q1 23	Q1 22	FY 22
Revenue from contracts with customers	111.0	109.5	393.7
Lease component in Own Fleet contracts	59.8	45.1	255.2
Other operating revenue	0.1	0.2	0.6
Operating revenue - Continuing operations	**170.9**	**154.8**	**649.5**

Disaggregation of revenue - Primary geographical markets

	Own Fleet			External Fleet			Corporate / Other			Consolidated		
USD million	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22	Q1 23	Q1 22	FY 22
Norway	133.9	139.2	567.3	27.3	15.1	74.9	0.8	0.6	4.3	162.0	154.8	646.4
Namibia	-	-	-	8.9	-	3.1	-	-	-	8.9	-	3.1
Total operating revenue	**133.9**	**139.2**	**567.3**	**36.1**	**15.1**	**78.0**	**0.8**	**0.6**	**4.3**	**170.9**	**154.8**	**649.5**

Note 4 Net financial items

USD million	Note	Q1 23	Q1 22	FY 22
Interest income		1.2	0.0	2.8
Interest expense lease liabilities	8	(1.1)	(0.7)	(4.2)
Other interest expenses		(15.7)	(10.1)	(45.0)
Other borrowing expenses		(1.2)	(2.0)	(6.3)
Change in fair value of derivatives *		(2.5)	5.0	9.2
Net currency gain / (loss)		(4.5)	2.4	(3.6)
Other financial items		(0.0)	(0.1)	(1.2)
Net financial items		**(23.7)**	**(5.5)**	**(48.3)**

** FY 2022 figures include a realised gain on derivatives of USD 13.7 million.*

Note 5 Property, plant and equipment

Specification and movements 2023

USD million	Mobile drilling units	Periodic maintenance	Other fixed assets	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2023	1,795.3	77.1	1.7	63.8	**1,937.9**
Additions	10.4	6.1	0.1	1.6	**18.2**
Depreciation	(28.9)	(10.7)	(0.1)	(5.5)	**(45.2)**
Currency translation differences	-	-	(0.1)	(2.6)	**(2.7)**
Net book amount as at 31 March 2023	**1,776.8**	**72.5**	**1.7**	**57.3**	**1,908.3**
Useful lifetime	*5 - 30 years*	*5 years*	*3 - 5 years*	*2-12 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	*Straight line*	

Impairment of property, plant and equipment

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. Mobile drilling units impaired in previous periods, are assessed for reversal of the impairment whenever there are indicators that the impairment loss previously recognised no longer exist or has decreased.

Odfjell Drilling has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 March 2023.

Note 6 Intangible assets

Specification and movements 2023

USD million	Goodwill	Software and other intangible assets	Total intangible assets
Opening net book amount as at 1 January 2023	3.0	0.4	**3.4**
Additions	-	-	**-**
Amortisation	-	(0.0)	**(0.0)**
Currency translation differences	(0.2)	(0.0)	**(0.2)**
Closing net book amount as at 31 March 2023	**2.8**	**0.3**	**3.1**

Impairment test for goodwill

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Odfjell Drilling has not identified any impairment indicators as at 31 March 2023.

Note 7 Interest-bearing borrowings

USD million	31.03.2023	31.03.2022	31.12.2022
Non-current	469.9	726.6	529.0
Current	355.0	140.6	313.5
Total	**824.9**	**867.2**	**842.5**

Available drawing facilities

Odfjell Drilling has no available undrawn facilities as per 31 March 2023.

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

	31.03.2023		
USD million	Non-current	Current	Total
Carrying amount as at 1 January	529.0	313.5	**842.5**
CASH FLOWS:			
Repayment bank loan	-	(19.6)	**(19.6)**
NON-CASH FLOWS:			
Reclassified from / (to) current borrowings	(60.3)	60.3	**-**
Change in transaction cost, unamortised	1.2	-	**1.2**
Change in accrued interest cost	-	0.8	**0.8**
Carrying amount as at end of period	**469.9**	**355.0**	**824.9**

Covenants

Odfjell Drilling is compliant with all financial covenants as at 31 March 2023.

Repayment schedule for interest-bearing borrowings

USD million	31.03.2023	31.03.2022	31.12.2022
Maturity within 3 months	45.6	47.1	19.6
Maturity between 3 and 6 months	19.6	21.1	45.6
Maturity between 6 and 9 months	225.2	47.1	19.6
Maturity between 9 months and 1 year	60.5	21.1	225.2
Maturity between 1 and 2 years	387.5	354.9	437.3
Maturity between 2 and 3 years	85.0	381.0	95.0
Maturity between 3 and 4 years	-	-	-
Maturity between 4 and 5 years	-	-	-
Maturity beyond 5 years	-	-	-
Total contractual amounts	**823.3**	**872.1**	**842.2**

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

Note 8 Leases

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 5.

Lease liabilities:

USD million	31.03.2023	31.03.2022	31.12.2022
Non-current	36.1	36.4	41.7
Current	26.0	13.2	26.5
Total	**62.1**	**49.6**	**68.2**

Movements in lease liabilities are analysed as follows:

	31.03.2023		
USD million	Non-current	Current	Total
Carrying amount as at 1 January	41.7	26.5	**68.2**
CASH FLOWS:			
Payments for the principal portion of the lease liability	-	(5.5)	**(5.5)**
Payments for the interest portion of the lease liability	-	(1.1)	**(1.1)**
NON-CASH FLOWS:			
New lease liabilities recognised in the year	1.6	-	**1.6**
Interest expense on lease liabilities	1.1	-	**1.1**
Reclassified to current portion of lease liabilities	(6.7)	6.7	**-**
Currency exchange differences	(1.7)	(0.6)	**(2.3)**
Carrying amount as at end of period	**36.1**	**26.0**	**62.1**

Note 9 Financial risk management and financial instruments

Valuation techniques used to derive Level 2 fair values

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

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made as of 31 March 2023 related to the warrant agreements, nor to the modelling technique used to calculate fair value, other than an adjustment of the number of warrants and exercise price as explained above. Changes in book value relate to fair value changes.

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

USD million	Level	31.03.2023	31.03.2022	31.12.2022
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	2	-	-	2.4
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	2	5.7	4.1	7.5
- Foreign exchange forward contracts - Other current assets	2	-	0.2	-
OTHER FINANCIAL ASSETS				
Trade and other current receivables		100.0	107.3	100.6
Cash and cash equivalents		138.3	153.9	157.2
Total financial assets		**244.0**	**265.4**	**267.7**

USD million	Level	31.03.2023	31.03.2022	31.12.2022
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current liabilities	2	0.9	-	-
Warrant liabilities - Other non-current liabilities	3	2.0	3.1	2.8
OTHER FINANCIAL LIABILITIES				
Non-current interest-bearing borrowings		469.9	726.6	529.0
Current interest-bearing borrowings		355.0	140.6	313.5
Non-current lease liabilities		36.1	36.4	41.7
Current lease liabilities		26.0	13.2	26.5
Trade and other payables		70.5	80.2	63.7
Total financial liabilities		**960.4**	**1,000.0**	**977.2**

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

Note 10 Commitments

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

USD million	31.03.2023	31.03.2022	31.12.2022
Rig investments	57.0	18.0	46.7
Total	**57.0**	**18.0**	**46.7**

The major part of committed capital expenditure as at 31 March 2023 is related to the new BOP for the rig Deepsea Atlantic.

Note 11 Contingencies

Letter of indemnity and related receivable

In relation to the spin-off of Odfjell Technology in 2022, Odfjell Drilling Ltd 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. Refer to Note 29 in the Annual report 2022 for further details.

Odfjell Offshore Ltd will appeal the ruling, and both the company 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. The Group therefore has not recognised any liability as at 31 March 2023.

31 January 2023 Odfjell Drilling Ltd paid NOK 307 million, equal to approximately USD 31 million, to OTL, to fund the upfront payment made by Odfjell Offshore Ltd to the Norwegian Tax Authorities 1 February 2023. The payment covers taxes and interest for the financial years 2017 through to 2021, which Odfjell Drilling Ltd had to fund in accordance with the indemnity letter. As stated above, the Group estimates that the amount will most likely be refunded, and has therefore recognised a non-current receivable as at 31 March 2023.

There are no other material contingencies to be disclosed as per 31 March 2023.

Note 12 Share information and dividend

	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**

Authorised, not issued shares was 47,093,673 as at 31 March 2023.

There are no changes in issued shares in 2023. All issued shares are fully paid.

As per 31 March 2023 the Group holds 16,123,125 treasury preference shares.

The Group has not acquired any of its own common shares in 2023, and no common shares are held by entities in the Group.

The Group has not paid any dividend in Q1 2023.

Note 13 Earnings per share

The Company has issued warrants for 6,837,492 common shares, see Note 24 in the Annual report 2022 for further information. The Company has in addition a share option plan for 1,450,000 common shares, see Note 35 in the Annual report 2022 for further information. The warrants represent contingently issuable shares.

Neither the warrants nor the options affect the basic or diluted number of shares in 2022 or 2023.

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

USD million	Q1 23	Q1 22	FY 22
Profit/(loss) due to owners of the parent	2.0	67.3	129.6
Adjustment for dividends on preference shares	-	(2.2)	(8.3)
Profit/(loss) for the period due to holders of common shares	**2.0**	**65.1**	**121.3**
Adjustment related to warrants and share option plan	-	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**2.0**	**65.1**	**121.3**

	Q1 23	Q1 22	FY 22
Weighted average number of common shares in issue	236,783,202	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**	**236,783,202**

	Q1 23	Q1 22	FY 22
EARNINGS PER SHARE - TOTAL			
Basic earnings per share (USD)	0.01	0.27	0.51
Diluted earnings per share (USD)	0.01	0.27	0.51
EARNINGS PER SHARE - CONTINUING OPERATIONS			
Profit/(loss) for the period due to holders of common shares	2.0	18.4	74.6
Diluted profit/(loss) for the period due to the holders of common shares	2.0	18.4	74.6
Basic earnings per share - continuing operations (USD)	0.01	0.08	0.32
Diluted earnings per share - continuing operations (USD)	0.01	0.08	0.32

Note 14 Related-party transactions

The Group had the following material transactions with related parties:

USD million	Relation	Q1 23	Q1 22	FY 22
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	0.6	n/a	1.2
Odfjell Oceanwind AS	Related to main shareholder	0.2	0.2	0.5
Odfjell Land As	Related to main shareholder	0.1	0.2	0.6
Total sales of services to related parties		**0.9**	**0.4**	**2.3**

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

USD million	Relation	Q1 23	Q1 22	FY 22
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	10.3	n/a	44.9
Total purchases from related parties		**10.3**	**-**	**44.9**

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

Current receivables and liabilities

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

USD million	31.03.2023
Trade receivables	0.5
Other current receivables	0.0
Trade payables	(7.0)
Other current payables	(1.9)
Net current payables related parties	**(8.3)**

Lease agreements

USD million			31.03.2023	Q1 23
Related party	Relation	Type of asset	Lease liability	Payments
Odfjell Land AS	Related to main shareholder	Properties	27.0	1.1
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	Mooring and drilling equipment	33.1	5.4
Total			**60.1**	**6.5**

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 March 2023.

Note 15 Events after the reporting period

There have been no events after the balance sheet date with material effect on the quarterly financial statements ended 31 March 2023.

Appendix 1: Definitions of alternative performance measures

Contract backlog

The Company's fair estimation of revenue in firm contracts and relevant optional periods for Own Fleet measured in USD - subject to variations in currency exchange rates. The calculation does not include anything on performance bonuses and fuel incentives.

EBIT

Earnings before interest and taxes. Equal to Operating profit.

EBIT margin

EBIT/Operating revenue.

EBITDA

Earnings before depreciation, amortisation and impairment, interest and taxes.

EBITDA margin

EBITDA/Operating revenue.

Equity ratio

Total equity/total equity and liabilities.

Financial utilisation

Financial utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial utilisation is only measured for periods on charter. The calculation does not include any recognised incentive payments.

Net interest-bearing debt

Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents. Interest-bearing borrowings do not include lease liabilities.

Net profit (loss)

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

Earnings per share

Net profit / number of outstanding shares.

Leverage ratio

		31.03.2023	
Non-current interest-bearing borrowings	USD	469.9	million
Current interest-bearing borrowings	USD	355.0	million
Non-current lease liabilities	USD	36.1	million
Current lease liabilities	USD	26.0	million
Adjustment for real estate lease liabilities	USD	(28.9)	million
A Adjusted financial indebtedness	**USD**	**858.1**	**MILLION**
Cash and cash equivalents	USD	138.3	million
Adjustment for restricted cash and other cash not readily available	USD	(31.8)	million
B Adjusted cash and cash equivalents	**USD**	**106.5**	**MILLION**
A-B=C Adjusted Net interest-bearing debt	**USD**	**751.6**	**MILLION**
EBITDA last 12 months	USD	312.9	million
Adjustment for effects of real estate leases	USD	(4.8)	million
D Adjusted EBITDA	**USD**	**308.1**	**MILLION**
C/D=E LEVERAGE RATIO		**2.4**	

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