Odfjell Rig III Ltd.

Condensed Consolidated Financial Statements

2nd quarter and first half year of 2023

Condensed Consolidated Income Statement

USD million	Note	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Operating revenue	2,3	**73.3**	**73.0**	**143.9**	**148.2**	**295.9**
Personnel expenses		(17.1)	(17.0)	(35.6)	(37.0)	(70.7)
Other operating expenses		(15.7)	(17.9)	(31.0)	(34.8)	(70.1)
EBITDA		**40.5**	**38.1**	**77.2**	**76.4**	**155.1**
Depreciation, amortisation and impairment	6	(24.3)	(22.9)	(48.6)	(43.8)	(91.1)
Operating profit (EBIT)		**16.2**	**15.2**	**28.6**	**32.6**	**64.0**
Net financial items	4	(10.1)	(0.2)	(16.3)	4.1	(2.8)
Profit (loss) before tax		**6.1**	**15.0**	**12.3**	**36.7**	**61.2**
Income tax expense	5	(0.3)	(0.5)	(0.6)	(1.0)	(1.7)
Net profit (loss)		**5.8**	**14.5**	**11.6**	**35.7**	**59.5**
Profit (loss) attributable to:						
Owners of the parent		5.8	14.5	11.6	35.7	59.5

Condensed Consolidated Statement of Comprehensive Income

USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Net profit (loss)	**5.8**	**14.5**	**11.6**	**35.7**	**59.5**
Items that are or may be reclassified to profit or loss:					
Cash flow hedges	(0.9)	(0.1)	(0.9)	(0.5)	(0.5)
Currency translation differences	(2.4)	(5.6)	(3.9)	(4.4)	(5.5)
Other comprehensive income, net of taxes	**(3.3)**	**(5.7)**	**(4.8)**	**(4.9)**	**(6.0)**
Total comprehensive income	**2.5**	**8.8**	**6.8**	**30.8**	**53.5**
Total comprehensive income attributable to:					
Owners of the parent	2.5	8.8	6.8	30.8	53.5

Condensed Consolidated Statement of Financial Position

USD million	Note	30.06.2023	30.06.2022	31.12.2022	01.01.2022
Assets					
Property, plant and equipment	6	926.9	980.3	954.3	984.4
Deferred tax asset		0.9	0.6	0.6	5.0
Total non-current assets		**927.8**	**980.9**	**954.8**	**989.3**
Trade receivables		35.4	49.8	40.0	42.4
Other current assets		4.5	31.7	7.2	28.5
Cash and cash equivalents		64.1	64.7	79.2	61.8
Total current assets		**104.1**	**146.1**	**126.4**	**132.6**
Total assets		**1,031.9**	**1,127.0**	**1,081.3**	**1,121.9**
Equity and liabilities					
Paid-in capital		131.0	143.0	131.0	143.0
Other equity		231.7	737.3	720.0	712.3
Total equity		**362.6**	**880.3**	**851.0**	**855.3**
Non-current interest-bearing borrowings	7	532.0	104.4	79.3	129.4
Non-current lease liabilities	8	10.5	17.2	14.3	4.9
Derivatives	9	0.9	-	-	-
Total non-current liabilities		**543.4**	**121.7**	**93.6**	**134.3**
Current interest-bearing borrowings	7	43.0	53.1	53.3	53.2
Current lease liabilities	8	17.6	18.0	18.0	5.1
Contract liabilities		5.5	12.4	9.1	8.8
Trade payables		22.0	19.9	17.0	11.2
Other current liabilities		37.7	21.6	39.2	54.0
Total current liabilities		**125.8**	**125.0**	**136.7**	**132.3**
Total liabilities		**669.3**	**246.7**	**230.3**	**266.6**
Total equity and liabilities		**1,031.9**	**1,127.0**	**1,081.3**	**1,121.9**

The Board of Odfjell Rig III Ltd.
30 August 2023

Kjetil Gjersdal Director	Helene Odfjell Director	Diane Stephen General Manager / Director

Condensed Consolidated Statement of Cash Flows

USD million	Note	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Cash flows from operating activities:						
Profit/(loss) before tax		6.1	15.0	12.3	36.7	61.2
Adjustment for provisions and other non-cash elements		32.6	24.0	62.3	52.5	104.3
Changes in working capital		18.6	(24.4)	5.6	(37.1)	5.3
Cash generated from operations		***57.2***	***14.5***	***80.1***	***52.1***	***170.8***
Net interest paid		(5.0)	(3.0)	(7.1)	(4.5)	(9.4)
Net income tax paid		(0.9)	-	(0.9)	-	(1.3)
Net cash flow from operating activities		**51.3**	**11.5**	**72.1**	**47.6**	**160.1**
Cash flows from investing activities:						
Purchase of property, plant and equipment	6	(15.2)	(7.7)	(25.6)	(8.0)	(30.6)
Proceeds from grants	6	5.8	-	5.8	-	-
Cash used in obtaining control of subsidiaries	1	(291.9)	-	(291.9)	-	-
Net cash flow from investing activities		**(301.3)**	**(7.7)**	**(311.7)**	**(8.0)**	**(30.6)**
Cash flows from financing activities:						
Proceeds from borrowings	7	390.0	-	390.0	-	-
Payment of transaction costs related to borrowings	7	(6.6)	-	(6.6)	-	-
Repayment of borrowings external	7	(133.0)	(26.0)	(133.0)	(26.0)	(52.0)
Repayment of borrowings related parties	7	(5.0)	-	(5.0)	-	-
Repayment of lease liabilities	8	(3.8)	(3.0)	(7.6)	(4.2)	(11.9)
Group contributions to companies in Odfjell Drilling Ltd. Group		(6.7)	(5.8)	(6.7)	(5.8)	(45.8)
Net cash flow from financing activities		**234.9**	**(34.8)**	**231.1**	**(36.1)**	**(109.8)**
Effects of exchange rate changes on cash and cash equivalents		(3.2)	(1.3)	(6.5)	(0.7)	(2.3)
Net increase (decrease) in cash and cash equivalents		**(18.3)**	**(32.3)**	**(15.1)**	**2.9**	**17.4**
Cash and cash equivalents at beginning of period		82.4	97.0	79.2	61.8	61.8
Cash and cash equivalents at period end		**64.1**	**64.7**	**64.1**	**64.7**	**79.2**

Condensed Consolidated Statement of Changes in Equity

USD million	Note	Paid-in capital	Other equity	Total equity
Balance at 1 January 2022		143.0	712.3	855.3
Profit/(loss) for the period		-	35.7	35.7
Other comprehensive income for the period		-	(4.9)	(4.9)
Total comprehensive income for the period		-	30.8	30.8
Group contribution to other companies in Odfjell Drilling Ltd. Group		-	(5.8)	(5.8)
Transactions with owners		-	(5.8)	(5.8)
Balance at 30 June 2022		**143.0**	**737.3**	**880.3**
Profit/(loss) for the period Q3 and Q4		-	23.8	23.8
Other comprehensive income for the period Q3 and Q4		-	(1.1)	(1.1)
Total comprehensive income for the period Q3 and Q4		-	22.7	22.7
Dividends distributed to parent company		(12.0)	-	(12.0)
Dividends to other companies in Odfjell Drilling Ltd. Group		-	(40.0)	(40.0)
Transactions with owners for the period Q3 and Q4		(12.0)	(40.0)	(52.0)
Balance at 31 December 2022		**131.0**	**720.0**	**851.0**
Profit/(loss) for the period		-	11.6	11.6
Other comprehensive income for the period		-	(4.8)	(4.8)
Total comprehensive income for the period		-	6.8	6.8
Group contribution to other companies in Odfjell Drilling Ltd. Group		-	(6.7)	(6.7)
Continuity difference	1	-	(488.5)	(488.5)
Transactions with owners		-	(495.2)	(495.2)
Balance at 30 June 2023		**131.0**	**231.7**	**362.6**

Note 1 | Accounting Principles

General information

Odfjell Rig III Ltd ('the Company') is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermudaand is tax resident in the United Kingdom with its head office at Bergen House, Crawpeel Road, Altens, Aberdeen, AB12 3LG.

The ultimate parent company Odfjell Drilling Ltd ('ODL') is listed on the Oslo Stock Exchange.

As part of the refinancing of the ODL group in Q2 2023, where Odfjell Rig III issued a bond of USD 390 million, there was a reorganisation of the ODL group. The reorganisation was a business combinations under common control by ODL, where Odfjell Rig III aquired the rig owning company Deep Sea Atlantic (UK) Ltd and the operating company Odfjell Invest AS. Concurrent with the aquisition, Odfjell Invest AS transferred the business related to the mobile drilling unit Deepsea Stavanger to another ODL group company.
The purchase price for all the shares in Deep Sea Atlantic (UK) Ltd and Odfjell Invest AS was USD 488.5 million, of which a total cash payment of USD 291.9 million was made, utilising funds from the bond loan.The remaining share price was financed by a new frame loan from the parent company.

The USD 291.9 million presented as 'Cash used in obtaining control of subsidiaries' in the cash flow statement does not include cash acquired as this cash was already included in the comparatives.

The share purchase price of USD 488.5 million is equal to the continuity difference in the statement of changes in the equity, as the subsidiaries' equity was already included in the comparatives.

From June 2023 Odfjell Rig III Ltd have the following 100% owned subsidiaries; Odfjell Drilling Shetland Ltd, Deep Sea Drilling Company AS, Deep Sea Atlantic (UK) Ltd and Odfjell Invest AS.

Odfjell Rig III Ltd and its subsidiaries (together 'the Group') owns and operates two high quality harsh environment mobile offshore drilling units.

These condensed interim financial statements were approved by the Board of Directors on 30 August 2023 and have not been audited.

Basis for preparation

First-time consolidated financial statements

The Group's interim financial statement for the six months ending 30 June 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'.

The first-time consolidated interim financial statements have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards as endorsed by the EU.

Odfjell Rig III Ltd has previously not prepared consolidated financial statements previously. The Company prepared separate financial statements according to IFRS as endorsed by the EU as at and for the year ended 31 December 2022. Consequently, no note on transition to IFRS for the Group is relevant.

The annual financial statements as at and for the year ending 31 December 2023 will be the Group's first consolidated annual financial statements according to IFRS as endorsed by the EU. This interim financial report is consequently for part of the period covered by the Group's first consolidated IFRS financial statements.

The legal formation of the Group was completed on 1 June 2023. The entire transaction is accounted for as a common control transaction outside the scope of IFRS 3 as the ultimate parent company Odfjell Drilling Ltd had control of the companies at the time of the transactions, and ODL book values of assets and liabilities are continued in the consolidated accounts of Odfjell Rig III Ltd.

The accounting principles used in these interim financial statements are consistent with those used by ODL. A copy of the consolidated financial statements of the ultimate parent company can be found on: www.odfjelldrilling.com/investor/reports-and-presentations/. ODL's consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Principles used related to predecessor combined comparatives
Applying predecessor carve-out combined accounting, Odfjell Rig III Ltd account for the transaction as if the combination had taken place prior to the comparative periods presented. The same applies to the carve-out of the business related to the chartering operations of Deepsea Stavanger in Odfjell Invest AS. The financial statements therefore present historical information as if Odfjell Rig III Ltd and its subsidiaries, except the business carved-out from OI, were a part of the Odfjell Rig III group for all periods presented. The Group is of the opinion that presenting predecessor carved-out combined comparatives provide the most relevant information for users of the financial statements.

The carrying amounts of the assets and liabilities in the comparative periods are based on the values of Odfjell Drilling Ltd, the ultimate parent company.

The perimeter of the accounts does not conform with the control notion in IFRS 10 Consolidated Financial Statements because Odfjell Rig III Ltd., was not the parent company for the periods before 1 June 2023 covered by these interim financial statements. The predecessor carve-out combined comparatives are otherwise prepared using the principles of IFRS 10, such as elimination of intra-group transactions and balances.
Transactions with the remaining Odfjell Drilling Group have not been eliminated, as these are now regarded as external to the Odfjell Rig III Group. These transactions are recognised based on intercompany agreements that were prevailing in the years reported. No adjustments are made to the predecessor values of income and expenses.

The predecessor carve-out combined comparatives include all entities over which Odfjell Rig III Ltd., as at 1 June 2023 have control. However, does not include the business carved-out of Odfjell Invest AS.

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 and developments in the financial and fiscal markets.

Taking all relevant risk factors 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 interim financial statements.

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

Note 2 | 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 receives strategic direction from its ultimate parent company, Odfjell Drilling Ltd. The internal management reporting to the Board is integrated with the Odfjell Drilling Ltd group reporting.

The Group provides drilling and related services to oil and gas companies. The group own two mobile offshore drilling units with similar services, revenues, customers and production processes. Own drilling units (Own Fleet) is therefore assessed as one reporting segment.

Note 3 | 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 ofobtaining 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. Lease component of drilling contracts is accounted for over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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, recognised in accordance with IFRS 15, 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.

Significant judgement and estimation uncertainty
There is use of judgement in the Group's revenue recognition (IFRS 15) related to incentive bonuses and other variable considerations.

Revenue specification

USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Revenue from contracts with customers	38.3	43.7	77.7	102.3	179.3
Lease component in drilling contracts	35.0	29.3	66.1	45.9	116.6
Other operating revenue	-	-	-	-	-
Operating revenue	**73.3**	**73.0**	**143.9**	**148.2**	**295.9**

Disaggregation of revenue - Primary geographical markets
All revenue is related to operations on the Norwegian Continental shelf and is therefore allocated to Norway.

Note 4 | Net financial items

USD million	Note	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Interest income		0.7	0.1	1.3	0.1	1.2
Interest expense lease liabilities	8	(0.6)	(0.6)	(1.2)	(0.7)	(2.0)
Other interest expenses		(6.3)	(1.9)	(8.9)	(3.7)	(8.5)
Other borrowing expenses		(1.6)	(0.5)	(1.9)	(1.0)	(1.9)
Change in fair value of derivatives		0.0	-	-	7.2	7.2
Net currency gain/(loss)		(2.4)	2.6	(5.6)	2.4	1.9
Other financial items		(0.0)	(0.0)	(0.0)	(0.1)	(0.5)
Net financial items		**(10.1)**	**(0.2)**	**(16.3)**	**4.1**	**(2.8)**

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

Note 5 | Income tax expense

The income tax expense relate to taxable profits in Norway for the operating companies.

The mobile offshore rigs Deepsea Aberdeen and Deepsea Atlantic are allocated to and operated by Dubai registered branches of their respective UK tax resident companies.

Net profit related to the rigs are attributable to the Dubai branch of the company in accordance with the foreign branch exemption, and are therefore not taxable in the UK. There are currently no company income tax for the Dubai branches.

Note 6 | Property, plant and equipment

Accounting policy

Property, plant and equipment comprise mainly of mobile offshore drilling units and right-of-use mooring and drilling 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, taking into account current and expected climate risk, and the shift to renewable energy sources.

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.

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.

Assets subject to operating leases

Mobile drilling units, Periodic maintenance and Right-of-use assets contain assets used in contracts with customers that contain a lease component.

USD million	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Opening net book amount as at 1 January 2023	885.5	38.7	30.1	954.3
Additions *	11.7	7.3	4.2	23.3
Depreciation	(29.3)	(11.9)	(7.5)	(48.6)
Currency translation differences	-	-	(1.9)	(1.9)
Net book amount as at 30 June 2023	**867.9**	**34.1**	**24.9**	**926.9**
Opening net book amount as at 1 January 2022	922.4	52.0	10.0	984.4
Additions	8.6	2.9	30.4	41.9
Depreciation	(28.5)	(10.4)	(4.9)	(43.8)
Currency translation differences	-	-	(2.3)	(2.3)
Net book amount as at 30 June 2022	**902.5**	**44.6**	**33.2**	**980.3**
Opening net book amount as at 1 January 2022	922.4	52.0	10.0	984.4
Additions	20.2	7.9	33.6	61.6
Depreciation	(57.0)	(21.3)	(12.8)	(91.1)
Currency translation differences	-	-	(0.6)	(0.6)
Net book amount as at 30 December 2022	**885.5**	**38.7**	**30.1**	**954.3**
Useful lifetime	5 - 30 years	5 years	2 - 4 years	
Depreciation schedule	Straight line	Straight line	Straight line	

* Received investment grants from the Norwegian Nox fund of USD 5.8 million are recognised as a deduction of the asset's carrying amount.

The right-of-use assets are mooring and drilling equipment leased from companies in the Odfjell Technology group (related to the main shareholder).

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 exceed 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.

The Group has not identified any impairment indicators, nor any indicators for reversal of impairment as at 30 June 2023.

Note 7 | 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

Interest-bearing borrowings specification

USD million	Note	30.06.2023	30.06.2022	31.12.2022
Non-current interest-bearing borrowings related parties	12	188.4	-	-
Non-current interest-bearing borrowings external		343.6	104.4	79.3
Current interest-bearing borrowings		43.0	53.1	53.3
Total		**575.0**	**157.5**	**132.6**

The Odfjell Rig III Ltd. USD 530 million facility

The remaining contractual amount of USD 107 million of the old facility was repaid in June 2023.

The Odfjell Rig III Ltd senior secured bond

12 May 2023, the company issued a USD 390 million secured bond maturing in May 2028. The bond has a fixed interest of 9.25% p.a. and semi-annual instalments of USD 20 million. The bond is secured by standard first lien security related to the Deepsea Aberdeen and Deepsea Atlantic, as well as guaranteed by Odfjell Drilling Ltd and various subsidiaries.

Movements in the interest-bearing borrowings in 2023 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2023	79.3	53.3	132.6
Cash flows:			-
New bond loan	390.0	-	390.0
Paid transaction costs related to new loan	(6.6)	-	(6.6)
Repayment external borrowings	-	(133.0)	(133.0)
Repayment borrowings related parties	(5.0)	-	(5.0)
Non-cash flows:			
Reclassified from / (to) current borrowings	(121.0)	121.0	-
New loan related parties - offset agreement	205.6	-	205.6
Offset other current receivables and payables	(12.2)	-	(12.2)
Change in transaction cost, unamortised	1.9	-	1.9
Change in accrued interest cost	-	1.6	1.6
Carrying amount as at 30 June 2023	**532.0**	**43.0**	**575.0**

Movements in the interest-bearing borrowings in Q2 2022 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2022	129.4	53.2	182.6
Cash flows:			-
Repayment borrowings	-	(26.0)	(26.0)
Non-cash flows:			-
Reclassified from / (to) current borrowings	(26.0)	26.0	-
Change in transaction cost, unamortised	1.0	-	1.0
Change in accrued interest cost	-	(0.1)	(0.1)
Carrying amount as at 30 June 2022	**104.4**	**53.1**	**157.5**

Movements in the interest-bearing borrowings in full year 2022 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2022	129.4	53.2	182.6
Cash flows:			-
Repayment borrowings	-	(52.0)	(52.0)
Non-cash flows:			-
Reclassified from / (to) current borrowings	(52.0)	52.0	-
Change in transaction cost, unamortised	1.9	-	1.9
Change in accrued interest cost	-	0.2	0.2
Carrying amount as at 31 December 2022	**79.3**	**53.3**	**132.6**

Available drawing facilities

The group has a frame loan with the parent company with remaining undrawn amount of USD 211.6 million, refer to note 12.

Financial covenants

The Group is compliant with all financial covenants as at 30 June 2023, and Odfjell Drilling group is compliant as a 30 June 2023 with all financial covenants that could impact the Group through cross default clauses.

Financial covenants related to the senior secured bond	
Equity	n/a
Equity ratio	≥ 30%
Total liquitidy	n/a
Free liquidity	≥ USD 50m
Current ratio	≥ 1.0x
Leverage ratio	n/a

Note 8 | 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 mooring and drilling equipment from companies in the Odfjell Technology group (related to the main shareholder).

Rental contracts comprise both fixed period contracts and contracts where the lease period reflects drilling contracts with customers, and all usually 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.

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

Lease liabilities

USD million	30.06.2023	30.06.2022	31.12.2022
Non-current	10.5	17.2	14.3
Current	17.6	18.0	18.0
Total	**28.1**	**35.2**	**32.3**

Movements in the lease liabilities in Q2 2023 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2023	14.3	18.0	32.3
Cash flows:			
Payments for the principal portion of the lease liability	-	(7.6)	(7.6)
Payments for the interest portion of the lease liability	-	(1.2)	(1.2)
Non-cash flows:			
New lease liabilities recognised in the year	4.2	-	4.2
Interest expense on lease liabilities	1.2	-	1.2
Reclassified to current portion of lease liabilities	(8.7)	8.7	-
Currency exchange differences	(0.4)	(0.3)	(0.8)
Carrying amount as at 30 June 2023	**10.5**	**17.6**	**28.1**

Movements in the lease liabilities in Q2 2022 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2022	4.9	5.1	10.0
Cash flows:			
Payments for the principal portion of the lease liability	-	(4.2)	(4.2)
Payments for the interest portion of the lease liability	-	(0.7)	(0.7)
Non-cash flows:			
New lease liabilities recognised in the year	30.4	-	30.4
Interest expense on lease liabilities	0.7	-	0.7
Reclassified to current portion of lease liabilities	(18.3)	18.3	-
Currency exchange differences	(0.5)	(0.4)	(0.9)
Carrying amount as at 30 June 2022	**17.2**	**18.0**	**35.2**

Movements in the lease liabilities in 2022 are analysed as follows:

USD million	Non-current	Current	Total
Carrying amount as at 1 January 2022	4.9	5.1	10.0
Cash flows:			
Payments for the principal portion of the lease liability	-	(11.9)	(11.9)
Payments for the interest portion of the lease liability	-	(2.0)	(2.0)
Non-cash flows:			
New lease liabilities recognised in the year	33.6	-	33.6
Interest expense on lease liabilities	2.0	-	2.0
Reclassified to current portion of lease liabilities	(27.3)	27.3	-
Currency exchange differences	1.1	(0.5)	0.6
Carrying amount as at 31 December 2022	**14.3**	**18.0**	**32.3**

Note 9 | Financial risk management and financial instruments

Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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 at Odfjell Drilling Group level. Odfjelll Drilling identifies,evaluates and hedges financial risks in close co-operation with the 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.

The re-contracting risk for the Group's mobile drilling units is low, as both units in the fleet has medium to long-term contracts.

The Group 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 drilling contracts are mainly priced in USD while most of the operating expenses are in local currency. The Group seeks to minimise these risks by off-setting local currency elements in drilling contracts, or through currency hedging via financial instruments.

The Group's interest risk is low, as about 2/3 of the interest-bearing borrowings (the bond loan) has a fixed interest rate.

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. Historically the Group have not had any credit losses. The credit risk is considered low.

Due to the refinancing completed in Q2 2023, the Group's liquidity risk is considered low.

Set out below, is an overview of financial assets and liabilities held by the Group:

USD million	Level	30.06.2023	30.06.2022	31.12.2022
Other financial assets				
- Trade and other current receivables		37.4	68.6	42.4
- Cash and cash equivalents		64.1	64.7	79.2
Total financial assets		**101.6**	**133.3**	**121.6**

USD million	Level	30.06.2023	30.06.2022	31.12.2022
Financial liabilities at fair value through profit or loss				
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - non-current	2	0.9	-	-
Other financial liabilities				
- Non-current interest-bearing borrowings		532.0	104.4	79.3
- Non-current lease liabilities		10.5	17.2	14.3
- Current interest-bearing borrowings		43.0	53.1	53.3
- Current lease liabilities		17.6	18.0	18.0
- Trade and other payables		58.0	39.0	54.3
Total financial liabilities		**662.0**	**231.7**	**219.2**

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	30.06.2023
Rig investments	36.2
Total	**36.2**

The major part of committed capital expenditure as at 30 June 2023 is related to the new blow out preventer (BOP) for the rig Deepsea Atlantic, as well as the upcoming periodic maintenance for Deepsea Atlantic, and is mainly extected to be paid within the next 12 months.

Note 11 | Share information and dividend

The shares in the Company are owned by Odfjell Rig Owning Ltd, which is a subsidiary of the ultimate parent company Odfjell Drilling Ltd.

The issued share capital consists of 10,000 shares with a nominal value of USD 1 each and all shares are fully paid up.

No dividend has been paid during 2023.

Note 12 | Related-party transactions and balances

The company's ultimate parent company is Odfjell Drilling Ltd, and all companies in the Odfjell Drilling group is defined as a 'Group company' in the tables below. The main shareholder of Odfjell Drilling Ltd is also the main shareholder of Odfjell Technology Ltd. All companies in the Odfjell Technology group is therefore defined as 'Related to the main shareholder' in the tables below.

The Group had the following material transactions with related parties:

USD million	Relation	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Companies within the Odfjell Drilling group	Group company	0.1	0.1	0.3	0.3	0.4
Companies within the Odfjell Technology group	Related to main shareholder	-	0.0	-	0.0	0.0
Total sales of services to related parties		**0.1**	**0.1**	**0.3**	**0.3**	**0.4**

Sales of services include administration services and personnel hire.

USD million	Relation	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Companies within the Odfjell Drilling group	Group company	26.0	31.9	58.4	66.1	127.8
Companies within the Odfjell Technology group	Related to main shareholder	4.9	9.7	8.8	21.1	36.6
Total purchases from related parties		**30.9**	**41.6**	**67.1**	**87.2**	**164.4**

Purchases consist of hired personnel (mainly offshore), services and rentals, as well as global business services. 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.

Interest expenses:

USD million	Relation	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Odfjell Rig Owning Ltd.	Group company	1.4	-	1.4	-	
Total interest expenses related parties		**1.4**	**-**	**1.4**	**-**	**-**

The Group have the following receivables and liabilities to related parties:

Non-current interest-bearing borrowings

USD million	Relation	Type	30.06.2023	30.06.2022	31.12.2022
Odfjell Rig Owning Ltd.	Group company	Loan	(188.4)	-	-
Total non-current interest-bearing borrowings group companies			**(188.4)**	**-**	**-**

1 June 2023, the Company entered into a frame loan agreement with parent company Odfjell Rig Owning Ltd. The subordinated frame loan can be up to USD 400 million and has a floating interest rate based on 3 months term SOFR plus a margin of 4%. The final maturity date is 1 June 2028.

Lease agreements

The Group have lease agreements regarding mooring and drilling equipment with companies in the Odfjell Technology group (related to the main shareholder).

USD million

Lease liability	30.06.2023	30.06.2022	31.12.2022
Mooring and drilling equipment	28.1	35.2	32.3

USD million

Lease payments (both interest and instalments)	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Mooring and drilling equipment	4.4	3.6	8.8	5.0	14.0

Current receivables and liabilities related parties

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

USD million	30.06.2023	30.06.2022	31.12.2022
Trade receivables	0.0	0.0	-
Other current receivables	0.6	18.7	2.1
Trade payables	(12.9)	(6.6)	(7.4)
Other current payables	(16.6)	(15.6)	(36.9)
Net current payables related parties	**(29.0)**	**(3.5)**	**(42.2)**

Note 13 - Events after the reporting period

There have been no events after the balance sheet date with material effect on the interim financial statements ended 30 June 2023.