PROSPECTUS

Odfjell Rig III Ltd.

(*an exempted company limited by shares incorporated under the laws of Bermuda*)

Listing of the Issuer's USD 390 million retail bond loan on the Oslo Stock Exchange

This prospectus (the "**Prospectus**") has been prepared by Odfjell Rig III Ltd., an exempted company limited by shares incorporated under the laws of Bermuda (the "**Issuer**", and together with its direct and indirect controlling entities and their consolidated subsidiaries, the "**Group**", each a "**Group Company**") in connection with the listing (the "**Listing**") of the Oslo Stock Exchange, a stock exchange being part of Euronext and operated by Oslo Børs ASA (the "**Oslo Stock Exchange**") of the USD 390 million retail bond loan with ISIN NO0012921172, issued by the Issuer on 31 May 2023 (the "**Bonds**" and the "**Bond Issue**").

The Bonds are registered in Euronext Securities Oslo, the Norwegian Central Securities Depository (the "**VPS**") in book-entry form. All Bonds rank in parity with one another.

The Bonds are expected to be listed and tradeable on the Oslo Stock Exchange on or about 27 October 2023 under the ticker code "ODRG".

The distribution of this Prospectus may be restricted by law in certain jurisdictions. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons in possession of this Prospectus are required by the Issuer to inform themselves about, and to observe, any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities law of any such jurisdiction.

This Prospectus is a listing prospectus for Bonds already issued by the Issuer. No securities are being offered to any person in any jurisdiction on the basis of this Prospectus.

Investing in the Bonds involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "*Risk factors*" and Section 4 "*General information*" when considering an investment in the Bonds.

The date of this Prospectus is 23 October 2023

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Listing of the Bonds on the Oslo Stock Exchange.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (as amended) (the "**Norwegian Securities Trading Act**") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**"). This Prospectus has been prepared solely in the English language. This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*) (the "**Norwegian FSA**"), as competent authority under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

For definitions of capitalized terms used throughout this Prospectus, see Section 13 "*Definitions and Glossary*".

The information contained herein is current as at the date hereof and is subject to change, completion and amendment without notice. In accordance with Article 23 of the Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of the Bonds and which arises or is noted between the time of approval of this Prospectus by the Norwegian FSA and the Listing, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

All inquiries relating to this Prospectus should be directed to the Issuer. No person is authorized to give information or to make any representation on behalf of the Group in connection with the Bonds. If any such information is given or made, it must not be relied upon as having been authorized by the Issuer or the Group.

An investment in the Bonds involves inherent risks. Potential investors should carefully consider the risk factors set out in Section 2 "*Risk Factors*" in addition to the other information contained herein before making an investment decision. An investment in the Bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of their entire investment. In making an investment decision, prospective investors must rely on their own examination, analysis of, and enquiry into the Group and the Bonds, including the merits and risks involved. Neither the Issuer nor any of its advisers are making any representation to any purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under the laws applicable to such purchaser. The contents of this Prospectus do not constitute legal, tax, business, or financial advice, and each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

This Prospectus does not constitute an offer of, or an invitation to purchase, subscribe or sell any of the securities described herein in any jurisdiction, and no Bonds or other securities are being offered or sold pursuant it. The distribution of this Prospectus and the offer and sale of the Bonds may in certain jurisdictions be restricted by law. The Issuer has not registered the Bonds under the U.S. Securities Act, and does not expect to do so in the future. The Bonds may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act), except for pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities law, or pursuant to an effective registration statement. Neither this Prospectus nor any other material pertaining to the securities of the Issuer may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations, and the Bonds may not be transferred or resold except as permitted under applicable securities laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Investors should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

All Sections of the Prospectus should be read in context with the information included in Section 4 "*General information*".

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APPENDICES TO THE PROSPECTUS

1 SUMMARY

SECTION (A) INTRODUCTION

The name of the Bonds is Odfjell Rig III Ltd. 9.25% Senior Secured USD 390,000,000 Callable Bonds 2023/2028.

The Bonds are registered in book-entry form with Euronext Securities Oslo (VPS) with ISIN NO0012921172.

The Issuer's legal and commercial name is Odfjell Rig III Ltd. The Issuer was incorporated on 9 November 2011 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. The Issuer's registration number is 45961.

The Issuer's legal entity identifier (LEI) is 529900JX0H45QUN1EC58.

The Issuer's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The contact details of the Issuer are as follows: Telephone: + 1 (441) 400 8900. The Issuer's website is www.odfjelldrilling.com.

The Norwegian FSA is the competent authority which has approved the Prospectus. The Norwegian FSA is registered in the Register of Business Enterprises, Norway with registration number 840 747 972. The contact details of the Norwegian FSA are as follows: Finanstilsynet, P.O. Box 1187 Sentrum, N-0107 Oslo, Norway. This Prospectus was approved on 23 October 2023.

Please note the following warnings:

- the summary should be read as an introduction to the Prospectus;
- any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor;
- the investor could lose all or part of the invested capital;
- where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated;
- civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities;
- you are about to purchase a product that is not simple and may be difficult to understand.

SECTION (B) KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

The Issuer's legal and commercial name is Odfjell Rig III Ltd. The Issuer was incorporated on 9 November 2011 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. The Issuer's registration number is 45961.

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The Issuer's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The contact details of the Issuer are as follows: Telephone: + 1 (441) 400 8900. The Issuer's website is www.odfjelldrilling.com.

The Issuer is (indirectly) 100% owned by Odfjell Drilling Ltd, which is the ultimate parent company of the Group. The Group owns and operates a fleet of high-quality harsh environment and ultra-deepwater capable MODUs and manages similar units on behalf of other asset owners. The main purpose of the Issuer is to be the shareholder of the owned operational drilling companies Deep Sea Drilling Company AS and Odfjell Invest AS, as well as the rig owning companies Odfjell Drilling Shetland Limited and Deep Sea Atlantic (UK) Limited.

As of the date of this Prospectus, the largest shareholder of the Group's ultimate parent company, Odfjell Drilling, is Odfjell Partners Holding Limited, which is controlled by Helene Odfjell.

The Issuer's board of directors consists of Helene Odfjell (director), Kjetil Gjersdal (director) and Diane Stephen (director). The Issuer's management consists of Helene Odfjell (President) and Diane Stephen (General Manager)

The Issuer's independent auditor is KPMG AS.

What is the key financial information regarding the Issuer?

<u>Selected income statement data</u>

The table below sets out selected data from the Issuer's income statement as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

(in USDm)	Issuers Consolidated Interim report			Issuers separate FS*	
	Six months ended 30 June		Year ended 31 December	Year ended 31 December	
	2023	2022	2022	2022	2021
Operating revenue	**143,9**	**148,2**	**295,9**	**0,00**	**0,00**
Personnel expenses	-35,6	-37,0	-70,7	0,00	0,00
Other operating expenses	-31,0	-34,8	-70,1	-0,06	-0,06
EBITDA	**77,2**	**76,4**	**155,1**	**- 0,06**	**- 0,06**
Depreciation and amortisation	-48,6	-43,8	-91,1	0,00	0,00
Operating profit (EBIT)	**28,6**	**32,6**	**64,0**	**- 0,06**	**- 0,06**
Net financial items	-16,3	4,1	-2,8	0,72	2,15
Profit before taxes	**12,3**	**36,7**	**61,2**	**0,66**	**2,10**
Income taxes	-0,6	-1	-1,7	0,00	0,00
Profit (loss)	**11,7**	**35,7**	**59,5**	**0,66**	**2,10**

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

<u>Selected financial position data</u>

The table below sets out selected data from the Issuer's statement of financial position as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

(in USDm)	Issuers Consolidated Interim report	Issuers separate FS*

	Six months ended 30 June 2023	2022	Year ended 31 December 2022	Year ended 31 December 2022	2021
Assets					
Property, plant and equipment	926,9	980,3	954,3		
Deferred tax asset	0,9	0,6	0,6		
Investments in subsidiaries				160,4	160,4
Other non-current assets				50,0	118,6
Total non-current assets	**927,8**	**980,9**	**954,9**	**210,4**	**279,0**
Trade receivables	35,4	49,8	40,0		
Contract assets	4,5	31,7	7,2		
Other current assets				9,1	28,6
Cash and cash equivalents	64,1	64,7	79,2	46,9	20,1
Total current assets	**104,0**	**146,2**	**126,4**	**56,0**	**48,7**
TOTAL ASSETS	**1031,9**	**1127,0**	**1081,3**	**266,4**	**327,7**

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

Selected cash flow statement data

The table below sets out selected data from the Issuer's statement of cash flow as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

(in USDm)	Issuers Consolidated Interim report			Issuers separate FS*	
	Six months ended 30 June 2023	2022	Year ended 31 December 2022	Year ended 31 December 2022	2021
Net cash flows from operating activities	72.1	47.6	160.1	7.1	(4.8)
Net cash flows from investing activities	(311.7)	(8.0)	(30.6)	71.4	64.3
Net cash flows from financing activities	231.1	(36.1)	(109.8)	(52.0)	(52.9)

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

What are the key risks that are specific to the Issuer and the Guarantors?

Risk related to the business and industry in which the Group operates:

- The level of activity in the oil and gas industry, on which the Group is dependent, is significantly affected by, among other things, volatile oil and gas prices
- An over-supply of drilling units may lead to a reduction in day rates, which may materially impact the Group's results

Risks related to the Group's contracts:

- The Group's backlog may not be ultimately realised

- The Group's future business performance depends on its ability to renew and extend existing contracts, and to win new contracts

Risks related to the Group's operations:

- The Group has an all-time high project activity, which may lead to increased costs
- The Group's business involves numerous operating hazards
- The Group's insurance coverage and contractual indemnities may prove insufficient if a significant accident or other event, such as a major breakdown, occurs
- The Group relies heavily on information technology systems to operate its drilling units

Risks related to laws, regulation and litigation:

- The Group is subject to risk related to governmental laws and regulations relating to the oil and gas industry

Risks related to financing and market risk:

- The Group's existing or future debt arrangements could restrict the Group's actions
- A default under the financial covenants in the agreements governing the Group's indebtedness could result in an acceleration of repayment of funds that have been borrowed

SECTION (C) KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

The Bonds are registered in book-entry form with Euronext Securities Oslo (VPS) with ISIN NO0012921172.

The Bond is a senior secured first lien bond with a tenor of 5 years. The Bonds rank pari passu between themselves and at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

The currency of the Bonds is USD. The outstanding amount of the Bonds is USD 390,000,000, and the Bonds have an initial nominal value of USD 1 each.

The interest rate of the Bonds is 9.25% per annum, and the interest payment date is the last day of each interest period, the first interest payment date being 30 November 2023 (six (6) months after the issue date) and the last interest payment date being the maturity date, i.e. 31 May 2028 (adjusted according to the Business Day Convention).

Each Bond carries one vote. In order to exercise voting rights, the bondholder must be the registered owner of the Bonds at the relevant record date, being the trading day immediately preceding the date of the respective bondholders' decision. If the beneficial owner of a Bond is not registered as a bondholder in the VPS and wishes to exercise his or her rights as a bondholder, he or she must obtain proof of ownership of the Bonds acceptable to the Bond Trustee.

Where will the securities be traded ?

On 17 October 2023, the Issuer applied for the Bonds to be listed on the Oslo Stock Exchange. Approval of the application and commencement of trading in the Bonds is expected to take place on or about 27 October 2023 under the ticker code "ODRG", subject to fulfilment of any criteria set by the Oslo Stock Exchange.

The Issuer has not applied for the Bonds to be listed on any other stock exchange or regulated market.

Is there a guarantee attached to the securities ?

The fulfilment of the secured obligations under the Bond Terms is secured by independent and irrevocable corporate guarantees (Nw: "*Selvskyldnerkausjoner*") issued by the following Guarantors:

- Odfjell Drilling Ltd., an exempted company limited by shares under the laws of Bermuda, with registration number 37607 and LEI-code 529900M08ZU24JXMPB85.
- Odfjell Rig Owning Ltd., an exempted company limited by shares under the laws of Bermuda, with registration number 50982 and LEI-code 529900TCA8W69BHIS375.
- Odfjell Drilling Shetland Ltd., a private company limited by shares under the laws of Scotland, with registration number SC368991 and LEI-code 529900LAAJW68MQK6W19.
- Deep Sea Atlantic (UK) Ltd., a private company limited by shares under the laws of England, with registration number 10589884 and LEI-code 5299001I9N6WRFKXX808.
- Deep Sea Drilling Company AS, a limited liability company under the laws of Norway, with registration number 925 500 925 and LEI-code 529900OCCAQ1W3QN7H64.
- Odfjell Invest AS, a limited liability company under the laws of Norway, with registration number 989 118 765 and LEI-code 529900GXP12CPYCU3U29.

The guarantees are attached as Appendix B to this Prospectus, and the financial statements of the Guarantors are attached as Appendix M to R to this Prospectus.

Relevant key financial information for the purpose of assessing the Guarantor's ability to fulfil their commitments under the guarantees:

Odfjell Drilling Ltd:

The table below sets out selected data from the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flow of Odfjell Drilling Ltd., as derived from its audited financial statements and its unaudited interim report.

(in USDm)	Year ended 31 December 2022	Year ended 31 December 2021	Six months ended 30 June 2023	2022
Operating profit / loss	136.5	107.1	67.5	63.5
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	685	863	645	677
Net Cash flows from operating activities	275.2	256.5	121.9	133.2
Net Cash flows from financing activities	(171.6)	(188.8)	(97.7)	(81.5)
Net Cash flows from investing activities	(111.0)	(97.4)	(52.6)	(73.8)

Odfjell Rig Owning Ltd:

The table below sets out selected data from the income statement, statement of financial position and statement of cash flow of Odfjell Rig Owning Ltd., as derived from its audited financial statements and its unaudited interim report.

(in USDm)	Year ended 31 December	Year ended 31 December	Six months ended 30 June

	2022	2021	2023	2022
Operating profit / loss	(0.06)	(0.08)	(0.01)	(0.02)
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	358.2	219.3	479.6	222.4
Net Cash flows from operating activities	1.1	2.7	(1.3)	(0.02)
Net Cash flows from financing activities	103.9	(30.5)	(41.1)	(1.5)
Net Cash flows from investing activities	(105.2)	28.4	44.5	1.5

Odfjell Drilling Shetland Ltd.:

The table below sets out selected data from the income statement, statement of financial position and statement of cash flow of Odfjell Drilling Shetland Ltd., as derived from its audited financial statements and its unaudited interim report.

(in USDm)	Year ended 31 December 2022	Year ended 31 December 2021	Six months ended 30 June 2023	2022
Operating profit / loss	43.4	68.9	15.8	22.3
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	49.8	113.0	20,4	77.2
Net Cash flows from operating activities	84.4	90.2	21.2	43.4
Net Cash flows from financing activities	(65.6)	(90.1)	(26.9)	(37.0)
Net Cash flows from investing activities	(19.2)	(14.9)	2.3	(6.7)

Deep Sea Atlantic (UK) Ltd.:

The table below sets out selected data from the income statement, statement of financial position and statement of cash flow of Deep Sea Atlantic (UK) Ltd., as derived from its audited financial statements and its unaudited interim report.

(in USDm)	Year ended 31 December 2022	Year ended 31 December 2021	Six months ended 30 June 2023	2022
Operating profit / loss	9.8	9.1	4.8	4.2
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	(0.7)	(4.3)	(5.4)	(0.9)
Net Cash flows from operating activities	47.1	56.1	26.8	2.5
Net Cash flows from financing activities	(41.9)	(50.5)	(0.9)	(1.0)
Net Cash flows from investing activities	(8.8)	(2.2)	(21.4)	(4.8)

Deep Sea Drilling Company AS:

The table below sets out selected data from the income statement, statement of financial position and statement of cash flow of Deep Sea Drilling Company AS, as derived from its audited financial statements and its unaudited interim report.

(in NOKm)	Year ended 31 December 2022	Year ended 31 December 2021	Six months ended 30 June 2023	2022
Operating profit / loss	30.6	36.1	30.2	22.2
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	(98.5)	(68.9)	(118.6)	(98.5)
Net Cash flows from operating activities	36.9	61.7	50.1	(55.5)
Net Cash flows from financing activities	(7.3)	6.2	(30.0)	(7.3)
Net Cash flows from investing activities	0	0	0	0

Odfjell Invest AS:

The table below sets out selected data from the income statement, statement of financial position and statement of cash flow of Odfjell Invest AS, as derived from its audited financial statements and its unaudited interim report.

(in NOKm)	Year ended 31 December 2022	Year ended 31 December 2021	Six months ended 30 June 2023	2022
Operating profit / loss	79.5	69.3	53.7	49.0
Net Financial Debt (long term debt plus short term debt minus cash, and does not include lease liabilities)	(210.7)	(168.3)	(242.2)	(210.7)
Net Cash flows from operating activities	116.4	218.4	123.6	(7.8)
Net Cash flows from financing activities	(74.1)	(54.0)	(92.0)	(74.1)
Net Cash flows from investing activities	0	0	0	0

What are the key risks that are specific to the securities?

- *The value of collateral may be insufficient to cover outstanding Bonds:* Although the Bonds are secured by the Deepsea Aberdeen and Deepsea Atlantic, as well as related assets, there is a risk that the value of the assets securing the Bonds and the Issuer's other assets will not be sufficient to cover all the outstanding Bonds together with accrued interests and expenses in case of a default and/or if the Issuer goes into liquidation. In such case, there is a risk that the Bondholders will be required to pursue the Guarantors in order to receive full settlement under the Bonds, or alternatively that a refinancing of the Group's debt will be required or that the Bondholders will incur a full or partial loss of their investment.

- *The Bonds are structurally subordinated to liabilities of the parent, Odfjell Drilling's, other subsidiaries*: The Bonds are subject to credit risk relating to the Group's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. Generally, creditors under indebtedness and trade creditors of Odfjell Drilling's subsidiaries other than the Issuer and the Guarantors will be entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to Odfjell Drilling or the Guarantors, as a direct or indirect shareholder. Accordingly, in an enforcement scenario, creditors of Odfjell Drilling's subsidiaries, to the extent such subsidiaries are not also guarantors of the Bonds, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiaries before the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions.

- *The Issuer may have insufficient funds to make required repurchases of Bonds*: Upon the occurrence of a change of control event (as defined in the terms of the Bonds), each individual bondholder shall have a right (put option) to require that the Issuer re-purchase the Bonds at a price of 101% of the nominal amount (plus accrued interest). However, it is possible that the Issuer will have insufficient funds at the time of the put-option event to make the required repurchase of the Bonds, which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Bond Terms, and consequently adversely affect all Bondholders and not only those that choose to exercise the option.

- *Risk related to Issuer's redemption of Bonds:* The terms of the Bonds provide that the Issuer (i) may redeem all or parts of the Bonds at various call prices before the final redemption date. This is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. If the Bonds are redeemed before the final redemption date, the holders of the Bonds have the right to receive an early redemption amount which may exceed the nominal amount in accordance with the Bond Terms. However, there is a risk that it may not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

SECTION (D) KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

Why is this prospectus being produced ?

This Prospectus has been produced for the purpose of listing the Odfjell Rig III Ltd. 9.25% Senior Secured USD 390,000,000 Callable Bonds 2023/2028 on the Oslo Stock Exchange.

The net amount of the proceeds of USD 383,367,000 have been employed towards refinancing of existing debt.

There are no material conflicts of interest pertaining to the listing.

2 RISK FACTORS

2.1 Introduction

Investing in the Bonds involves a high degree of risk. Investors should carefully consider the risk factors and uncertainties described below, together with all other information contained in this Prospectus, including the Financial Information and related notes elsewhere in the Prospectus and appended hereto, before deciding to invest in the Bonds. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Issuer and the Group as of the date hereof that the Issuer believes are the material risks relevant to an investment in the Bonds. Risks faced by the Group as a whole are relevant for the Prospectus, as the ultimate parent company of the Group is one of the Guarantors of the Bonds. An investment is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

The risk factors included in this Section 2 are presented in a limited number of categories, where each risk factor is sought to be placed in the most appropriate category based on the nature of the risk it represents. While the most material risk factor in each category is set out first, the remaining risk factors in each section are not ranked in order of materiality or probability of occurrence. The absence of negative past experience associated with a given risk factor does not mean that the risk factor is not genuine or does not pose a potential threat to the Group. If any of the following risks were to materialize, individually or together with other circumstances, they could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Bonds, resulting in loss of all or part of an investment in the Bonds. Additional factors of which the Issuer is currently unaware or which it currently deems not to be risks, may also have corresponding negative effects.

The information in this Section 2 is as of the date of this Prospectus.

2.2 Risk related to the business and industry in which the Group operates

2.2.1 The level of activity in the oil and gas industry, on which the Group is dependent, is significantly affected by volatile oil and gas prices, among other things

The Group's business depends on the level of activity in offshore oil and gas exploration, as well as the identification and development of oil and gas reserves and production in offshore areas worldwide, particularly in harsh environments. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development, political aspects and regulatory requirements all affect the Group's clients' levels of expenditure and drilling campaigns. In particular, oil and gas prices and market expectations of potential changes in these prices significantly affect the level of exploration and production ("**E&P**") activity by oil and gas companies.

The demand for the Group's services and, accordingly, the prices it can achieve, depend on the level of E&P activity and expenditure by clients, and are therefore affected by trends in oil and gas prices. For example, historically, significant decline in the oil price has led to cuts in the E&P spending budgets of major oil companies, significant overcapacity for the supply of the Group's services and significantly increased competition for the supply of such services. Further, the oil and gas prices may be affected by a number of factors, including but not limited to conflicts such as the ongoing war in Ukraine.

Due to the significant investments in exploration and, often production, made by the Group's clients at or before the time they contract for services provided by the Group, the Group's business is typically impacted by longer term E&P spending decisions based on long-term price trends. Due to the high E&P costs in ultra-deepwater ("**UDW**") and harsh environments, a significant decrease in oil and gas prices over a protracted period (rather than the short term) may result in such projects becoming uneconomical for the Group's clients. This may result in a decrease in demand for the Group's services.

Any developments affecting demand of the Group's services could have a material adverse effect on the Group's business, results of operations, cash flow, financial condition, ultimately the ability to pay dividends and/or prospects.

2.2.2 An over-supply of drilling units may lead to a reduction in day rates, which may materially impact the Group's results

The offshore drilling industry in which the Group operates is characterised by periods of high demand for drilling units, short drilling unit supply and high day rates, followed by periods of low demand, excess drilling unit supply, and low day rates and utilisation, largely owing to changes in oil and gas prices and their impact on client expenditures. Periods of excess drilling unit supply intensify the competition in the industry and can result in drilling units being idle for long periods of time.

In the past, significant spikes in oil and gas prices have led to high levels of drilling unit construction orders in the offshore market. Significant spikes in oil and gas prices have been and could be followed by periods of sharp and sudden declines in oil and gas prices, which in turn may result in declines in utilisation and day rates, and an increase in the number of idle drilling units without long-term contracts.

The entry into service of new and upgraded UDW units will increase supply and could lead to a reduction in the utilisation and day rates of existing drilling units as new drilling units are absorbed into the market.

The risk of decreased day rates is important for the Group. In periods of excess drilling unit supply, the Group may be required to maintain idle drilling units or enter into contracts at lower day rates until market conditions improve. The Group may also experience an over-supply in its markets as a result of competitors shifting drilling units or equipment into those regions where the Group's drilling units may then be located. These events could materially adversely affect the Group's results of operations, cash flow and financial condition. Further, prolonged periods of low utilisation and/or day rates could also have a material adverse effect on the value of the drilling units

2.3 Risks related to the Group's contracts

2.3.1 The Group's backlog may not be ultimately realised

As of August 2023, the Group had a backlog of approximately USD 2.2 bn inclusive of contracts which include an option for use of a rig with a pre-agreed price (“**Priced Options**”). The Group's backlog represents the contracted future revenue under contracts for the four drilling units owned by the Group. The backlog is the Group’s fair estimation of revenue from firm contracts and Priced Options. Revenue backlog does not include expected performance incentives, fuel incentives or add-on income or options for use of a rig which does not have a pre-agreed price (“**Un-priced Options**”). The backlog is calculated based on contracted number of days or estimated duration of wells. The Group presents backlog both inclusive and exclusive of any priced optional periods exercisable by clients calculated to reflect the nominal value of the contract. Backlog does not provide a precise indication of the time period over which the Group is contractually entitled to receive such revenues and there is no assurance that such revenue will be actually realised in the timeframes anticipated or at all.

Backlog is computed based on contractual terms with the relevant client; however, revenue included in the backlog may be subject to price indexation clauses and variation in foreign exchange rates.

There are a number of reasons why the Group may fail to realise expected backlog, including:

- cancellation or early termination (with or without cause) or successful renegotiation of contracts by clients as a result of, among other reasons, adverse market conditions and, where the Group enters into management contracts for newbuilds, delay in the delivery of such newbuilds;
- drilling of well-based contracts may take shorter time than originally estimated;
- clients' discretionary invocation of suspension periods;
- an inability of the Group to perform its obligations under contracts, including for reasons beyond its control; and
- a default by a client and failure to pay amounts owed.

Some of the Group's clients may experience liquidity issues, which could worsen if oil and gas prices decline to lower levels for an extended period of time. Liquidity issues could encourage clients who are experiencing financial difficulties to seek to repudiate, cancel or renegotiate agreements with the Group or result in such client's bankruptcy, insolvency or similar actions. The ability of the Group's clients to perform their obligations under their contracts with the Group may also be negatively impacted by uncertainty surrounding the development of the world economy and credit markets. For the Group's four owned units, the current clients are Equinor and Aker BP, currently being the two largest operators on the Norwegian Continental Shelf. For the Group's managed units, the clients are a mixture of international major oil companies and independent and smaller companies.

The Group's inability to realise backlog amounts could have a material adverse effect on the Group's results of operations, cash flows and financial condition.

2.3.2 The Group's future business performance depends on its ability to renew and extend existing contracts, and to win new contracts

The Group's revenue is derived from contractual arrangements with the Group's clients.

Currently, the Group's client contracts are well based or for fixed lengths of time. Contracts for the drilling units may include extension options that are exercisable at the discretion of the client. The extension options do not represent guaranteed commitments from clients to extend the period of the contract and there can be no assurance that the Group's clients will exercise the extension options or that the work performed under such extension options will be at prevailing market day rates or prices at the time the option to extend is exercised, as the Group agrees the day rates and prices for extension periods approximately a year in advance.

For most of its businesses, the Group is primarily awarded contracts by participating in tender processes. However, some of the Group's contracts are entered into following direct negotiations with clients. Where the Group tenders for contracts, it is generally difficult to predict whether the Group will be awarded contracts on favourable terms or at all. The tenders are affected by a number of factors beyond the Group's control, such as market conditions, competition (including the intensity of the competition in a particular market), financing arrangements and governmental approvals required by clients.

In addition, the Group is often required to pre-qualify to participate in tender processes by meeting certain thresholds of operational performance, including quality, health, safety and environment ("**QHSE**") requirements, and by demonstrating its ability to sufficiently comply with local requirements. Generally, these thresholds and requirements for inclusion on pre-approved tender lists have become more stringent in recent years. If the Group fails to be pre-approved by clients, the Group will not be considered for inclusion in certain tender processes, the Group's business activities and/or utilisation may drop below expected levels, and its business, results of operations, cash flow and financial position may be adversely affected.

The Group's ability to renew or extend existing contracts or sign new contracts will largely depend on prevailing market conditions. If the Group is unable to sign new contracts or if new contracts are entered into at rates or prices substantially below the current cost levels or on terms otherwise less favourable compared to existing contract terms, the Group's business, results of operations, cash flow and financial condition may be adversely affected.

2.3.3 Unforeseen or unanticipated risks, costs or timing when bidding on or managing contracts could adversely affect the Group's business, results of operations and financial condition

In preparation for a tender of a new contract, the Group assesses its current capacity, and, if it is awarded the contract, it determines how to deploy resources in order to perform its obligations under the contract. The Group's financial and operating performance depends on making accurate assumptions and estimates, as well as identifying key issues and risks (including, but not limited to, the degree of complexity of the project assumptions regarding rig efficiency or utilisation of equipment, operational expenses, mobilisation costs, tax payments, availability of skilled personnel and availability of critical equipment with long lead times) with respect to potential projects at the tender stage of the project, and ensuring that the pricing and contractual arrangements in relation to each project adequately safeguard the Group against, or compensate it for, such risks. Assumptions are particularly necessary when tendering for a new client or entering new geographic markets, as the Group does not yet have the experience on which it can base its assumptions for the tender. The Group must manage project risks efficiently and adapt to changes that occur during the life of a project. Even when a risk is properly identified, the Group may be unable to or may not accurately quantify it. Unforeseen or unanticipated risks, incorrect assumptions when bidding for a contract may lead to increased costs for the Group and could adversely affect the Group's business, results of operations, cash flow and financial condition.

2.4 Risks related to the Group's operations

2.4.1 The Group has an all-time high project activity, which may lead to increased costs

The Group has an all-time high project activity related to special period survey ("**SPS**") and related projects. All four owned rigs will undertake a SPS in the period 2024-2025. In addition, a new Blow Out Preventer ("**BOP**") will be installed on Deepsea Atlantic.

There is a general high activity level within the yards and supply chain in Norway as a result of the tax incentive package in Norway to stimulate the activity on the Norwegian Continental Shelf. Many offshore developments in Norway are in the pipeline and there is a general high activity level in the offshore industry internationally. One sees the same early indications in the supply chain as was the case in previous market upcycle prior to 2014.

The current market situation with general capacity constraints in the vendor supply chain increases the risk for cost overrun for the Group's upcoming SPS projects and BOP project and might cause schedule overrun, and as such loss of income if projects are delayed.

2.4.2 The Group's business involves numerous operating hazards

The Group's operations are subject to hazards inherent in drilling for oil and gas, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions and pollution. Contract drilling requires the use of heavy equipment and exposure to hazardous conditions.

Such accidents could subject the Group to property, personnel, environmental and other damage claims from third parties. In addition, accidents or other operating hazards could result in the suspension of operations because of related machinery breakdowns, abnormal drilling conditions, failure of the Group's or the Group's clients' subcontractors to perform or supply goods or services, or personnel shortages, which may in turn have a material adverse effect on the Group's reputation, business, results of operations, cash flow, financial condition and/or prospects.

2.4.3 The Group's insurance coverage and contractual indemnities may prove insufficient if a significant accident or other event, such as a major breakdown, occurs

The Group's insurance policies and contractual rights to indemnity may not adequately cover losses, and the Group does not have insurance coverage or rights to an indemnity for all risks. In addition, the Group's insurance coverage will not provide sufficient funds in all situations to protect the Group from all liabilities that could result from its operations, the amount of the Group's insurance cover may be less than the related impact on enterprise value after a loss, and the Group's coverage also includes policy limits. As a result, the Group retains the risk through self-insurance for any losses in excess of these limits. The Group may also decide to retain substantially more risk through self-insurance in the future.

Although it is the Group's policy to obtain contractual indemnities, it may not always be able to negotiate such provisions. Further, indemnities that the Group receives from clients, subcontractors and suppliers may not be easily enforced and may be of limited value if the relevant clients, subcontractors or suppliers do not have adequate resources or do not have sufficient insurance coverage to indemnify the Group.

The occurrence of a significant accident or other adverse event, such as a major breakdown on a drilling unit, which is not fully covered by the Group's insurance or any enforceable or recoverable indemnity from a client could result in substantial losses for the Group and could materially adversely affect the Group's results of operations, cash flow, financial condition and/or prospects.

2.4.4 The Group relies heavily on information technology systems to operate its drilling units

The Group relies heavily on information technology ("**IT**") systems in order to operate its drilling units, such as replication technology that allows each drilling unit's maintenance support system to remain operative even if the central maintenance system is non-operative. The Group relies upon industry accepted security measures and technology such as access control systems to securely maintain confidential and proprietary information maintained on its IT systems, and market standard virus control systems. However, the Group's portfolio of hardware and software products, solutions and services and its enterprise IT systems may be vulnerable to damage or disruption caused by circumstances beyond its control, such as catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, cyber-attacks or other malicious software programs. The failure or disruption of the Group's IT systems to perform as anticipated for any reason could disrupt the Group's operation of the rigs and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, litigation, and the loss of suppliers or clients. A significant disruption or failure could have a material adverse effect on the Group's business operations, financial performance and financial condition.

2.4.5 The Group significantly relies on its suppliers

The Group relies, and will in the future continue to rely, on a significant supply of consumables, spare parts and equipment to operate, maintain, repair and upgrade its fleet of drilling units. Certain parts and equipment the Group uses in its operations may be available from only a small number of suppliers, manufacturers or service providers, or in some cases must be sourced through a single supplier, manufacturer or service provider. A disruption in the deliveries from such third-party suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment could adversely affect the Group's ability to meet its commitments to clients, adversely impact the Group's operations and revenues or increase the Group's operating costs.

In addition, during the last decade the number of available suppliers for drilling packages to the drilling units has been reduced due to industry consolidation, resulting in fewer alternatives for sourcing key supplies, replacement parts, and services. The drilling packages for the drilling units are complicated and require a long lead time to deliver, so proper management of procurement is required and once selected, the Group must continue to use the same supplier for replacement parts. Further, certain key equipment used in the Group's business may be protected by patents and other intellectual property of the suppliers, sub-suppliers or others. This may limit the Group's ability to obtain supplies and services when needed, at an acceptable cost or at all. Cost increases, delays or unavailability could materially adversely affect the Group's future operations and result in higher rig downtime due to delays in repair and maintenance of the Group's fleet, which may in turn have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

2.4.6 Physical infrastructure and logistics systems in some of the areas where the Group may operate its units are in poor condition

The Group currently only has operations for management units in Namibia in Africa, but may in future operate its own units in other African, South American and/or Asian countries. In some of these areas physical infrastructure and logistics systems, such as roads, air transport facilities and lines of communication are underdeveloped and not adequately funded and maintained. This may have an effect on the efficiency and safety of the Group's operations in these regions due to reduced efficiency, predictability and safety in the transportation of equipment and personnel.

Breakdowns or failures of any part of the physical infrastructure or logistics systems in the areas where the Group operates its own units may disrupt the Group's normal business activities, cause the Group to suspend operations or result in environmental damage to the surrounding areas.

Such circumstances, or any further deterioration of the physical infrastructure in the areas where the Group operates its own units, may increase the costs of doing business and interrupt business operations, any or all of which could have a material adverse effect on the Group's business, results of operations, cash flow, financial condition and/or prospects. In addition, as many new discoveries of oil are made in areas of the world that may still be developing the relevant infrastructure, the Group's exposure to this risk may increase in the future.

2.5 Risks related to laws, regulation and litigation

2.5.1 The Group is subject to risk related to governmental laws and regulations relating to the oil and gas industry

As the Group depends on demand for drilling services from oil and gas companies and/or relevant companies in the industry, it is also affected by changing laws and regulations relating to its clients and the oil and gas industry. The Group is also exposed to changes in recommended industry practices and applicable standards, including classification requirements regarding the design, construction and maintenance of mobile offshore drilling units ("**MODUs**"), and materials, equipment and machinery.

The adoption of new laws or regulations limiting exploration or production activities by oil and gas companies or imposing more stringent restrictions on such activities, could have a material adverse effect on the Group by increasing its operating costs, reducing the demand for its services and/or restricting its ability to provide its services.

Also, policy development in many countries towards a low carbon economy might have an adverse effect for the oil and gas service and supply sector, with a possible result of higher costs and reduced demand. This is in particular the case for EU/EFTA states, but also globally more countries strengthen their policies to contribute to reach the goals in the Paris Agreement.

Regulatory authorities may exercise discretion in monitoring compliance and in interpreting and enforcing applicable laws and regulations, including but not limited to economic sanctions as a response to the current war in Ukraine. Future inspections by regulatory authorities may conclude that the Group or clients of the Group have violated applicable laws or regulations. If these violations are not remedied, the regulatory authorities may impose fines, criminal and/or administrative penalties or other sanctions, including compelling the Group or clients of the Group to cease certain of its business activities. The resulting loss of profits could have a material adverse effect on the Group's business, results of operations, cash flow, financial condition and/or prospects.

2.5.2 The Group does business in areas associated with a heightened risk of bribery and corruption, as well as other financial crimes

The Group currently does business in Namibia and may in the future do business in other jurisdictions which are associated with a heightened inherent risk of bribery and corruption, as well as other financial crimes. Further, the oil and gas industries have historically been vulnerable to corrupt or unethical practices.

Although the Group has in place several measures to detect and mitigate risks of bribery and corruption, it may not be possible for the Group to uncover and prevent all instance of such acts in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. The Group and/or its directors, officers and employees may therefore be subject to civil and criminal penalties, including significant fines, and to reputational damage. Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by the others with which the Group conducts business could also damage the Group's reputation and business. Due to the Group's international expansion, the Group is increasingly exposed to these risks through its use of various agents and representatives, seeing as the Group may, under the circumstances, be held accountable for such agents and representatives' actions. Instances of bribery and corruption or other financial crimes could have a material adverse effect on the Group's results of operations and financial conditions.

2.6 Risks related to financing and market risk

2.6.1 The Group's existing or future debt arrangements could restrict the Group's actions

As of 30 June 2023, the Group's current and non-current interest-bearing borrowings were approximately USD 128.4 million and USD 634.2 million respectively. In total interest-bearing borrowings of USD 762.6 million, representing 35.6% of its total assets. The Group has undertaken a refinancing of its financial position during the second quarter of 2023 and has no major maturities before 2028 and 2029, except the Samsung seller credit which matures in first quarter of 2024. Part of the Group’s indebtedness is repaid through agreed instalments prior to final maturity. The current indebtedness and future indebtedness that the Group may incur could affect the Group's future operations, as a portion of the Group's cash flow from operations will be dedicated to the payment of interest and principal on such debt and will not be available for other purposes.

Covenants contained in the Group's debt agreements require the Issuer, its subsidiaries and/or the Group to meet certain financial measures. These may affect the Group's flexibility in planning for, and reacting to, changes in its business and limit the Group's ability to dispose of assets or use the proceeds from such dispositions, withstand current or future economic or industry downturns or compete with others in the industry for strategic opportunities. In addition, such financial measures do and could further place restrictions on the Group's ability to declare dividends to its shareholders.

The Group's ability to meet its debt service obligations and to fund planned expenditures, including construction costs for any current and future newbuild project(s), will be dependent upon the Group's future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting the Group's operations, many of which are beyond the Group's control. The Group's future cash flows may be insufficient to meet all of its debt obligations and contractual commitments, and any such insufficiency could adversely affect the Group's business. To the extent that the Group is unable to repay its indebtedness as it becomes due or at maturity, the Group may need to refinance its debt, raise new debt, sell assets or repay the debt with the proceeds from equity offerings.

Additional indebtedness or equity financing may not be available to the Group in the future for the refinancing or repayment of existing indebtedness, and the Group may not be able to complete asset sales in a timely manner sufficient to make such repayments.

2.6.2 A default under the financial covenants in the agreements governing the Group's indebtedness could result in an acceleration of repayment of funds that have been borrowed

If the Group is unable to comply with the restrictions and covenants in the agreements governing its indebtedness or in current or future debt financing agreements, there could be a default or cancellation under the terms of those agreements. The Group's ability to comply with these restrictions and covenants, including meeting financial ratios and measures, is dependent on its future performance. If a default occurs under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. Borrowings under debt arrangements that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. In addition, certain of the Group's financing agreements include change of control provisions which if triggered could result in the Group having to immediately prepay all amounts, including interest, accrued and owing under the relevant facility. If any of these events occur, the Group cannot guarantee that its assets will be sufficient to repay in full all of its outstanding indebtedness, and the Group may be unable to find alternative financing. Even if the Group could obtain alternative financing, that financing might not be on terms that are favourable or acceptable. The occurrence of such events may have a material adverse effect on the Group's results of operations, cash flow and financial condition.

2.7 Risks related to the Bonds

2.7.1 The value of collateral may be insufficient to cover outstanding Bonds

Although the Bonds are secured by the Deepsea Aberdeen and Deepsea Atlantic, as well as related assets, there is a risk that the value of the assets securing the Bonds and the Issuer's other assets will not be sufficient to cover all the outstanding Bonds together with accrued interests and expenses in case of a default and/or if the Issuer goes into liquidation. In such case, there is a risk that the Bondholders will be required to pursue the Guarantors in order to receive full settlement under the Bonds, or alternatively that a refinancing of the Group's debt will be required or that the Bondholders will incur a full or partial loss of their investment.

2.7.2 The Bonds are structurally subordinated to liabilities of Odfjell Drilling's other subsidiaries

The Bonds are subject to credit risk relating to the Group's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. Generally, creditors under indebtedness and trade creditors of Odfjell Drilling's subsidiaries other than the Issuer and the Guarantors will be entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to Odfjell Drilling or the Guarantors, as a direct or indirect shareholder. Accordingly, in an enforcement scenario, creditors of the Odfjell Drilling's subsidiaries, to the extent such subsidiaries are not also guarantors of the Bonds, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiaries before the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions.

2.7.3 The Issuer may have insufficient funds to make required repurchases of Bonds

Upon the occurrence of a change of control event (as defined in the terms of the Bonds), each individual bondholder shall have a right (put option) to require that the Issuer re-purchase the Bonds at a price of 101% of the nominal amount (plus accrued interest). However, it is possible that the Issuer will have insufficient funds at the time of the put-option event to make the required repurchase of the Bonds, which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Bond Terms, and consequently adversely affect all Bondholders and not only those that choose to exercise the option.

2.7.4 Risk related to Issuer's redemption of Bonds

The terms of the Bonds provide that the Issuer (i) may redeem all or parts of the Bonds at various call prices before the final redemption date. This is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. If the Bonds are redeemed before the final redemption date, the holders of the Bonds have the right to receive an early redemption amount which may exceed the nominal amount in accordance with the Bond Terms. However, there is a risk that it may not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Listing of the Bonds on the Oslo Stock Exchange.

Odfjell Rig III Ltd. accepts responsibility for the information contained in this Prospectus. The Issuer confirms that to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

23 October 2023

Odfjell Rig III Ltd.

Diane Stephen
Power of attorney

4 GENERAL INFORMATION

4.1 The approval of this Prospectus by the Norwegian FSA

This Prospectus has on 23 October 2023 been approved by the Norwegian FSA as competent authority under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds.

The Prospectus is valid for a period of 12 months from the date of approval by the Norwegian FSA.

4.2 Other important investor information

The Issuer has furnished the information in this Prospectus. The Issuer's advisors make no representation or warranty, express or implied, as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon, as a promise or representation in this respect, whether as to the past or the future. Neither the Issuer nor the Issuer's advisors nor any of their respective affiliates, representatives or advisors are making any representation to any offeree or purchaser of Bonds regarding the legality of an investment in the Bonds.

The information contained herein is current as of the date hereof and is subject to change, completion and amendment without notice. In accordance with Article 23 of the Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of the Bonds and which arises or is noted between the time of approval of this Prospectus by the Norwegian FSA and the Listing, will be mentioned in a supplement to this Prospectus without undue delay. Except as required by applicable law and stock exchange rules, the Issuer does not undertake any duty to update the information in this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstance imply that there has not been any change in the Group’s affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No person is authorized to give information or to make any representation concerning the Group other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Issuer or by any of its affiliates, representatives, or advisers. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

Investing in the Bonds involves a high degree of risk. See Section 2 "*Risk factors*" beginning on page 13.

4.3 Presentation of financial and other information

4.3.1 Historical financial information

4.3.1.1 Financial information of the Issuer

The Issuer's financial information in this Prospectus has been derived from the following financial statements:

1) Audited separate financial statements for the Issuer as per and for the year ended 31 December 2022, prepared in accordance with IFRS as adopted by the EU

2) Audited financial statements for the Issuer as per and for the year ended 31 December 2021, prepared in accordance with NGAAP

3) Unaudited condensed consolidated interim report for the Issuer for the three and six month periods ending 30 June 2023, prepared in accordance with IAS 34

The financial statements as of and for the years ended 31 December 2022 and 2021 are together referred to as the "**Audited Financial Statements**". The Audited Financial Statements have been audited by KPMG AS, as set forth in their reports therein. The audit reports are issued without qualifications, modifications of opinion, disclaimers or emphasis on the matter.

The unaudited interim report for the three and six month periods ending 30 June 2023 is referred to as the "**Unaudited Interim Report**".

4.3.1.2 Financial information of the Guarantors

The financial information in this Prospectus of each Guarantor has been derived from the following financial statements (collectively, the "**Guarantor Financial Statements**"):

1) Consolidated and separate audited financial statements for Odfjell Drilling Ltd. ("**Odfjell Drilling**") as per and for the year ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU;

2) Unaudited condensed consolidated interim report for Odfjell Drilling prepared for the three and six month periods ending 30 June 2023 in accordance with IAS 34;

3) Audited separate financial statements for Odfjell Rig Owning Ltd ("**ORO**") as per and for the years ended 31 December 2022 and 31 December 2021 prepared in accordance with IFRS as adopted by the EU;

4) Unaudited interim condensed separate financial statements for ORO for the six month periods ending 30 June 2023 in accordance with IAS 34;

5) Audited special purpose financial statements for Odfjell Drilling Shetland Limited ("**SPV Deepsea Aberdeen**") and Deep Sea Atlantic (UK) Ltd. ("**SPV Deepsea Atlantic**") for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU;

6) Unaudited interim condensed financial statements for SPV Deepsea Aberdeen and SPV Deepsea Atlantic for the six month periods ending 30 June 2023 in accordance with IAS 34;

7) Audited financial statements for Deep Sea Drilling Company AS ("**CharterCo Deepsea Aberdeen**") and Odfjell Invest AS ("**CharterCo Deepsea Atlantic**") for the years ended 31 December 2022 and 31 December 2021 in accordance with NGAAP; and

8) Unaudited interim condensed financial statements for CharterCo Deepsea Aberdeen and CharterCo Deepsea Atlantic for the six month periods ending 30 June 2023 in accordance with IAS 34.

The Guarantor Financial Statements which are audited, have been audited by KPMG AS, as set forth in their reports therein. The audit reports are issued without qualifications, modifications of opinion, disclaimers or emphasis on the matter.

There is no financial information in the Prospectus about any of the Guarantors not extracted from the abovementioned Guarantor Financial Statements. The Audited Financial Statements, the Unaudited Interim Report and the Guarantor Financial Statements are collectively referred to as the "**Financial Information**".

4.3.2 Industry and market data

This Prospectus contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects the Issuer's estimates based on analysis, research and surveys of multiple sources, including data compiled from professional organizations and analysts and information otherwise derived from other third party sources, such as annual financial statements and other presentations published by listed companies operating within the same industry as the Issuer. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Issuer's competitive position in the future is based on the Issuer's own assessment and knowledge of the potential market in which it may operate.

The Issuer confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Issuer has not independently verified and neither the Issuer nor any third party can give any assurances as to the accuracy or completeness of market data contained in this Prospectus. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Issuer cautions prospective investors not to place undue reliance on the abovementioned data. Unless otherwise indicated in the Prospectus, any statements regarding the Group's competitive position are based on the Issuer's own assessment and knowledge of the market in which it operates.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Issuer's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "*Risk factors*" and elsewhere in this Prospectus.

4.3.3 Currencies

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**EUR**" are to the lawful currency of the European Union, all references to "**USD**" are to the lawful currency of the United States, and all references to "**GBP**" are to the lawful currency of the UK. No representation is made that the NOK, EUR, USD of GBP amounts referred to herein could have been or could be converted into NOK, EUR, USD or GBP, as the case may be, at any particular rate, or at all. The Financial Information is presented in USD.

4.3.4 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.4 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect the Issuer's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts.

They appear, among other areas, in the following sections in this Prospectus; Section 8 "*Financial Overview and Recent Developments*", Section 9 "*Board of Directors and Management*", and Section 11 "*The Guarantors*", and include statements regarding the Issuer's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates, such as, but not limited to, statements relating to:

- the Group's strategy, outlook and growth prospects;
- the Group's operational and financial objectives, including statements as to the Issuer's medium or long-term growth, margin, and dividend policy;
- the competitive nature of the business in which the Group operates and the competitive pressure and competitive environment in general;
- earnings, cash flow, dividends and other expected financial results and conditions;
- the expected growth and other developments of the industries which the Group operates;
- the Group's planned investments;
- forecasts; and
- the Group's liquidity, capital resources, capital expenditures, and access to funding.

Prospective investors are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in, or suggested, by the forward-looking statements contained in this Prospectus. The Issuer cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements.

The risks that are currently known to the Issuer and which could affect the Group's future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 2 "*Risk factors*".

The information contained in this Prospectus identifies additional factors that could affect the Group's financial position, operating results, cash flows, liquidity and performance. Prospective investors in the Bonds are urged to read all Sections of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Bonds.

These forward-looking statements speak only as of the date on which they are made. The Issuer undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on the Issuer's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 DESCRIPTION OF THE BONDS

5.1 The use and estimated net amount of proceeds

The gross proceeds from the Bond Issue of USD 390,000,000, minus certain fees and expenses in connection with the Bond Issue, have been employed towards refinancing of Existing Debt (as defined in the table below in Section 5.2).

5.2 Main terms of the Bonds

The summary below describes the principal terms of the Bonds. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Bond Terms attached to this Prospectus (as Appendix A) contains the complete terms and conditions of the Bonds. In the table below, the capitalized terms used and not defined herein shall have the same meaning as in the Bond Terms.

ISIN:	NO0012921172.
The reference name of the Bond Issue:	Odfjell Rig III Ltd. 9.25% Senior Secured USD 390,000,000 Callable Bonds 2023/2028.
Issuer:	Odfjell Rig III Ltd., a company existing under the laws of Bermuda with registration number 45961 and LEI-code number 529900JX0H45QUN1EC58.
Parent:	Odfjell Drilling Ltd., a company registered under the laws of Bermuda with registration number 37607 and LEI-code number 529900M08ZU24JXMPB85.
Guarantors:	Each Restricted Group Company, which at the Issue Date comprises Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., Odfjell Drilling Shetland Ltd., Deep Sea Atlantic (UK) Ltd., Deep Sea Drilling Company AS and Odfjell Invest AS.
Bondholders:	A person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject to clause 3.3 of the Bond Terms (Bondholder's rights).
Security Type:	Senior secured first lien bonds with a tenor of 5 years. The Bonds rank pari passu between themselves and at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).
Bond Currency:	USD.
Outstanding Amount:	USD 390,000,000.
Initial Nominal Amount:	The Bonds have an initial nominal value of USD 1 each.
Nominal Amount:	The nominal value of each Bond at any time. The Nominal Amount may be amended pursuant to paragraph (j) of Clause 18.2 of the Bond Terms (*The duties and authority of the Bond Trustee*).
Securities form:	The Bonds are registered in dematerialised form in Euronext Securities Oslo (the VPS).

Issue Date:	31 May 2023.
Interest accrues from:	Issue Date.
Last interest payment date:	Maturity Date.
Yield:	For the Bond Issue, yield is dependent on the market price and number of Interest Payment Date.
Maturity Date:	31 May 2028 (adjusted according to the Business Day Convention).
Interest Payment Date:	The last day of each interest period, the first interest payment date being 30 November 2023 (six (6) months after the issue date) and the last interest payment date being the Maturity Date.
Interest Period:	Business Day Convention, the period between 31 May and 30 November each year, provided however that an Interest Period shall not extend beyond the Maturity Date (subject to adjustment in accordance with the Business Day Convention).
Interest Rate:	Nine point two five percentage points (9.25%) per annum.
Calculation of Interest:	Each outstanding Bond (i.e. Bonds not redeemed or otherwise discharged) will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis), unless: (i) the last day in the relevant Interest Period is the 31st calendar day but the first day of that Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes the last day shall not be shortened to a 30-day month; or (ii) the last day of the relevant Interest Period is the last calendar day in February, in which case February shall not be lengthened to a 30-day month.
Amortization:	The Bonds shall amortize with an amount of USD 20,000,000 (the "**Amortization Amount**") on each Interest Payment Date until, but not including the Maturity Date, in each case at 100 per cent of the Nominal Amount (plus accrued interest on redeemed amount). However, following a redemption due to the occurrence of a Prepayment Event or a Total Loss Event, the Amortization Amount shall be reduced to USD 10,000,000.
Business Day Convention:	If the last day of any Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.
Managers:	Danske Bank, Norwegian branch, SpareBank 1 Markets AS, ABG Sundal Collier ASA, Fearnley Securities AS and DNB Markets, a part of DNB Bank ASA.
Limitation of claims:	All claims under the Bonds, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Act of 18 May 1979 no. 18 relating to the limitation period for claims.

Voluntary early redemption – Call Option:	The Issuer may redeem all or part of the Outstanding Bonds (the Call Option) on any Business Day from and including: (i) The Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount; (ii) The First Call Date to, but not including, the Interest Payment Date in May 2026 at a price equal to 104.625% of the Nominal Amount for each redeemed Bond (the "**First Call Price**"); (iii) The Interest Payment Date in May 2026, but not including, the Interest Payment Date in November 2026, at a price equal to 103.700% of the Nominal Amount of the redeemed Bonds; (iv) Interest Payment Date in November 2026 to, but not including, the Interest Payment Date in May 2027, at a price equal to 102.775% of the Nominal Amount for each redeemed Bond; (v) Interest Payment Date in May 2027 to, but not including, the Interest Payment Date in November 2027, at a price equal to 101.388% of the Nominal Amount for each redeemed Bond; and (vi) The Interest Payment Date in November 2027 to, but not including, the Maturity Date at a price equal to 100.463% of the Nominal Amount for each redeemed Bond.
First Call Date:	The Interest Payment Date falling on 30 November 2025.
Make Whole Amount:	An amount equal to the sum of the present value on the Call Option Repayment Date of: (i) The Nominal Amount of the redeemed Bonds at the price as set out in paragraph (a)(ii) of Clause 10.2 of the Bond Terms as if such payment originally had taken place on the First Call Date; and (ii) The remaining interest payments of the redeemed Bonds (less any accrued and unpaid interest on the redeemed Bonds as the Call Option Repayment Date) to the First Call Date, where the present value shall be calculated by using a discount rate of 4.319% per annum.
Call Option Repayment Date:	The settlement date for a Call Option determined by the Issuer pursuant to clause 10.1(a), paragraph (d) of Clause 10.3 of the Bond Terms, or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.
Early redemption option due to a tax event:	If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 of the Bond Terms as a result of a change in applicable law implemented after the date of the Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax where a payment in respect of the Bonds then due.
Put Option:	Upon the occurrence of a Put Option Event, each bondholder will have a right to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent of the Nominal Amount.
Put Option Event:	A Change of Control Event or a Delisting Event.

Change of Control Event:	An event where any person or group of persons acting in concert, other than the Odfjell Family, gains Decisive Influence over the Parent.
Delisting Event:	An event where the Parent's shares ceases to be listed on the Oslo Stock Exchange.
Decisive Influence:	A person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly): a) a majority of the voting rights in that other person; or b) a right to elect or remove a majority of the members of the board of directors of that other person.
Payments:	All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD. All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation of Norway.
Taxation:	a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents: (i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and (ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made. c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees. d) The Bond Trustee shall not have any responsibility to obtain information about the Bondholders relevant for the tax obligations pursuant to the Bond Terms.
Status of the Bonds:	The Bonds constitute senior debt obligations of the Issuer. The Bonds will rank pari passu between themselves and at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).
Secured Parties:	The Security Agent and the Bond Trustee on behalf of itself and the Bondholders.
Security Agent:	The Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.
Guarantees:	The independent and irrevocable corporate guarantees (Nw: "*Selvskyldnerkausjoner*") issued by the Guarantors. The Guarantees are attached to this Prospectus (as Appendix B) and contain the complete terms and conditions of the Guarantees. Pursuant to clause 1 of the Guarantees, the Guarantors have irrevocably and unconditionally: a) guaranteed to the Security Agent (on behalf of itself and the Secured Parties), as and for its own debt as principal obligor and not merely as a surety, the due and punctual performance of the Issuer and the other Obligors' obligations under the terms of the

	Finance Documents (as amended from time to time), including amounts arising as result of interests, default interests, costs and expenses; b) undertaken with the Security Agent, on behalf of the Secured Parties, that whenever an Obligor does not pay any amount when due under the Finance Documents, each Guarantor shall immediately on demand from the Security Agent pay that amount as if it was the principal obligor; and c) agreed to indemnify the Security Agent and the Secured Parties immediately on demand from the Security Agent in respect of any cost, loss or liability suffered by the Security Agent or the Secured Parties due to any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability will not exceed the amount which the terms of the Finance Documents and the Secured Parties would otherwise have been entitled to recover. d) Notwithstanding anything to the contrary provided in the Guarantees, the parties have agreed that the Guarantees and security provided in the Guarantees or any other obligations (whether in the form of a guarantee, indemnity, payment and/or set-offs) of the Guarantors incorporated in Norway towards the Security Agent or the Secured Parties shall not extend to any obligation which would otherwise be illegal or voidable financial assistance according to sections 8-7 and 8-10 of the Norwegian Companies Act of 13 June 1997 no. 45 (the "**Norwegian Companies Act**"), it being understood that such guarantee and security shall apply to the fullest extent permitted by those provisions of the Norwegian Companies Act. Furthermore, pursuant to clause 9 of the Guarantees, and notwithstanding the obligations of the Guarantors pursuant to the Guarantees, the maximum guarantee liability of the Guarantors under the Guarantees shall always be limited to USD 487,500,000 plus any interest, default interest or other costs, fees and expenses related to the liability of the Guarantors under the Guarantees.
Secured Obligations:	All the present and future liabilities and obligations of the Obligors to any of the Secured Parties under the Finance Documents.
Transaction Security:	The Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.
Financial undertakings / covenants:	The financial undertakings set forth in Clause 14 of the Bond Terms, incl. the financial covenants. The Parent shall, on a consolidated basis for the Group, comply with the following financial covenants at all times during the term of the Bonds: (i) Equity Ratio of minimum 30%; (ii) Free Liquidity of no less than USD 50,000,000; and (iii) Current Ratio shall at all times be minimum 1.00: 1.00.
Finance Documents:	The Bond Terms, the Bond Trustee Fee Agreement, any Transaction Security Document and any other document designated by the Issuer and the Bond Trustee as a Finance Document.
Event of Default:	Any of the events or circumstances as further specified in Clause 16.1 of the Bond Terms, including: a) *non-payment;* b) *breach of other obligations;* c) *misrepresentation;* d) *cross default;* e) *insolvency and insolvency proceedings;*

	f) *creditor's process;* and g) *unlawfulness.*
Use of Proceeds:	The Issuer has used the Net Proceeds from the issuance of the Bonds for refinancing of the Existing Debt.
Existing Debt:	Existing Debt means: a) The senior and junior secured credit facility agreements between Odfjell Invest Ltd as borrower and DNB Bank ASA as facility agent on behalf of other lenders, both dated 26 June 2019; and b) The terms loan facilities agreement between the Issuer as borrower and DNB Bank ASA as facility agent on behalf of other lenders dated 7 May 2013 and as later amended.
Approvals:	The Bonds were issued in accordance with the approval of the Board of Directors if the Issuer on 25 May 2023.
Admission to Listing:	The Issuer shall use commercially reasonable endeavours to ensure that the Bonds are listed on Oslo Børs (the Oslo Stock Exchange) or any regulated market, within six (6) months of the Issue Date and thereafter remain listed on an Exchange until the Bonds have been redeemed in full.
Bond Terms:	Means the terms and conditions, including all attachments which form an integrated part of the Bond Terms, in each case as amended and/or supplemented from time to time.
Availability of documentation:	The Bondholders have access to the Bond Terms on www.stamdata.no. Following the Listing, the public will have free access to the Bond Terms on www.odfjelldrilling.com.
Calculation Agent	Nordic Trustee AS, Kronprinsesse Märthas plass 1, N-0116 Vika, Norway.
Bond Trustee:	Nordic Trustee AS, Kronprinsesse Märthas plass 1, N-0116 Vika, Norway.
Power to represent Bondholders:	The Bond Trustee has power and authority to act on behalf of, and/or represent the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of the Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.
Securities Registry / CSD:	Euronext Securities Oslo (Verdipapirsentralen ASA) (VPS), Fred. Olsens gate 1, N-0152 Oslo, Norway.
Market Making:	No market-maker agreement has been made for the Bond Issue.
Estimated expenses of, and incidental to, the Listing, including the Bond Issue:	USD 6,633,000.
Estimated net proceeds:	USD 383,367,000.

Legislation under which the Bonds have been created:	Norwegian law.

5.3 Bondholders' rights

The rights attached to the Bonds are set out in the Bond Terms, which is enclosed as Appendix A to the Prospectus. Below is a summary of principal rights and competencies.

5.3.1 Bondholders' meetings

The bondholders' meeting is the highest authority in the bondholders' community. Pursuant to clause 17.1 of the Bond Terms, the bondholders' meeting may on behalf of the Bondholders resolve to alter any of the Bond Terms, including but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes. The bondholders' meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro-rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal. The bondholders' meeting cannot adopt resolutions that will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

Subject to the power of the Bond Trustee to take certain actions, if a bondholders' resolution or approval is required, such resolution may be passed at a bondholders' meeting. Resolutions passed at any bondholders' meeting will be binding upon all Bondholders.

Pursuant to clause 17.2 of the Bond Terms, bondholders' meetings are convened by the Bond Trustee upon a written request from the Issuer, Bondholders representing at least 1/10 of the voting Bonds, the Oslo Stock Exchange, or the Bond Trustee, specifying the matters to be discussed and resolved. The Bond Trustee shall convene bondholders' meetings within ten trading days of receiving a valid request. The summons shall be sent to all Bondholders registered in the VPS at the time the summons is sent from the VPS and published on www.newsweb.no, no later than ten trading days prior to the proposed date of the meeting. The summons shall include an agenda for the meeting and clearly state the matters to be resolved, and a description of any proposed amendments to the Bond Terms must be set out in the summons. The Bond Trustee may include additional agenda items to those included in the meeting request. Items that have not been included in the proposed agenda may not be put to a vote at the bondholders' meeting. The Issuer shall bear the costs and expenses incurred in connection with convening a bondholders' meeting, regardless of who has convened the meeting.

Pursuant to clause 17.1 and 17.2 of the Bond Terms, at least 50% of the voting Bonds must be represented at a bondholders' meeting for a quorum to be present. Each bondholder, the Bond Trustee and representatives of the Oslo Stock Exchange, or any person or persons acting under a power of attorney for a bondholder shall have the right to attend the bondholders' meeting. In addition, each person entitled to attend the meeting has the right to be accompanied by an advisor.

Even if the necessary quorum is not achieved, the bondholders' meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the bondholders' meeting, pursuant to clause 17.4 of the Bond Terms. The Bond Trustee or the person who convened the initial bondholders' meeting may, within ten trading days of the initial meeting, convene a repeated meeting with the same agenda as the first meeting, in accordance with the same procedures as the initial meeting. Such a repeated bondholders' meeting may only be convened once for each original bondholders' meeting

5.3.2 Voting rights

Pursuant to clause 17.3 of the Bond Terms, each Bond carries one vote. In order to exercise voting rights, the bondholder must be the registered owner of the Bonds at the relevant record date, being the trading day immediately preceding the date of the respective bondholders' decision. If the beneficial owner of a Bond is not registered as a bondholder in the VPS and wishes to exercise his or her rights as a bondholder, he or she must obtain proof of ownership of the Bonds acceptable to the Bond Trustee.

Pursuant to clause 17.1 of the Bond Terms, ordinary resolutions are passed by a simple majority of the voting Bonds represented at the bondholders' meeting. Any amendments or waivers of the Bond Terms require a majority of at least two-thirds of the voting Bonds represented at the bondholders' meeting for approval, save for such amendments or waivers which can be made without resolution pursuant to clause 19.1 of the Bond Terms

5.3.3 Written bondholders' resolutions

Pursuant to clause 17.5 and subject to the Bond Terms, matters that may be resolved by the bondholders' meeting may also be resolved by way of a written resolution if passed with the relevant majority. The person requesting a bondholders' meeting may instead request that the relevant matters are to be resolved by written resolution unless the Bond Trustee decides otherwise.

Summons for written resolutions shall be sent to the Bondholders registered in the VPS at the same time the summons is sent from the VPS and otherwise made public. The summons for written resolutions shall include instructions on how to vote for each separate item, and the time limit within which the Bond Trustee must have received all votes necessary in order for the written resolution to be passed with the requisite majority, being no less than ten and no more than 15 trading days from the date of the summons. Otherwise, unless conflicting, written resolutions are subject to the same procedures as bondholders' meetings in respect of bondholders' authority, quorums, voting rules, and repeated resolutions.

Only Bondholders of voting Bonds registered with the VPS on the relevant record date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee, will be counted in the written resolution.

5.4 Credit ratings

The Bonds have received credit ratings from S&P and Moody's, see Appendix C for the full details and explanations of the meaning of the respective ratings.

In summary Moody’s rated Odfjell Drilling a B2 Corporate family rating (CFR) and a B2 instrument rating for the Bonds. Moody’s gave Odfjell Drilling a stable outlook. If follows from Moody's credit rating that the B2 corporate family rating reflects Odfjell Drilling's (i) well established position as a provider of offshore drilling services with a long operational track record; (ii) high-quality and young rig fleet with significant collateral value and competitive advantages; (iii) exposure to improving deep-water drilling market conditions; (iv) firm order backlog of $1.7 billion as of May 2023, which provides good medium-term revenue and cash flow visibility (v) pro-forma gross leverage (defined as debt to EBITDA, Moody’s-adjusted) of 3.0x, which is modest but expected to decline over time through a combination of earnings growth and debt amortisation. Furthermore, Moody's expects that Odfjell Drilling will continue to adhere to conservative financial policies, including holding net leverage below 2.5x as well as prudently managing shareholder distributions and growth spending.

According to Moody's "Rating Scale and Definitions" (https://www.moodys.com/sites/products/productattachments /ap075378_1_1408_ki.pdf), obligations rated as "B" are considered speculative and are subject to high credit risk. The numerical modifier "2" indicates a mid-range ranking.

S&P assigned a preliminary "B+" long-term issuer credit rating to Odfjell Drilling, and preliminary "BB" issue and "1" recovery ratings to the Bonds. It follows from S&P's credit rating that the "1" recovery rating indicates S&P's expectation of very high (90% - 100%; rounded estimate: 95%) recovery of principal in the event of a payment default. The stable outlook reflects S&P's view that Odfjell Drilling's credit measures will remain commensurate with the ratings over the next 12 months, with debt to EBITDA below 3x, supported by a continued gradual pick-up in offshore drilling and robust cash flow visibility over the coming years.

According to "S&P Global Ratings Definitions" (https://www.spglobal.com/ratings/en/research/articles/190705-s-p-global-ratings-definitions-504352), an obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.

5.5 Tax warning

The tax legislation of the investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the Bonds.

The Issuer shall pay any stamp duty and other public fees in connection with the loan. Any public fees or taxes on sales of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise decided by law or regulation. The Issuer is responsible for withholding any withholding tax imposed by Norwegian law.

6 BUSINESS OF THE ISSUER AND THE GROUP

This Section provides an overview of the Group's business as of the date of this Prospectus. The following discussion contains forward-looking statements that reflect the Group's plans and estimates, see Section 4.4 "Cautionary note regarding forward-looking statements" above, and should be read in conjunction with other parts of this Prospectus, in particular Section 2 "Risk factors".

6.1 Business overview

The Issuer is 100% owned by Odfjell Drilling Ltd, which is the ultimate parent company of the Group and one of the Guarantors of the Bonds. Odfjell Drilling has been listed on the Oslo Stock Exchange since 2013. For a full list of Guarantors and a description of each Guarantor therein, reference is made to Section 11 "*The Guarantors*".

The Group owns and operates a fleet of high-quality harsh environment and UDW capable MODUs and manages similar units on behalf of other asset owners. The main purpose of the Issuer is to be the shareholder of the owned operational drilling companies CharterCo Deepsea Aberdeen and CharterCo Deepsea Atlantic, as well as the rig owning companies SPV Deepsea Aberdeen and SPV Deepsea Atlantic, see Sections 6.1.1.1 and 6.1.1.2.

The Group's client base consists primarily of major oil and gas companies and the Group has over five decades of experience in the industry. In 2022 the Group generated operating revenues of USD 649,500,000 and operating profit of USD 136,500,000. The Issuer and its subsidiaries accounted for USD 295,900,000 of the operating revenues and had operating profit of USD 64,000,000.

In March 2022, the Group spun-off its Well Services, Energy and Global Business Services areas into a new group under Odfjell Technology Ltd, which listed on the Oslo Stock Exchange. Following the spin-off, the Group retained its core business of operating and drilling, with global capability and a specialty in harsh environments as well as deepwater capabilities. The Group has extensive contracting experience and has operated in a number of jurisdictions over the years.

The Group is organised into two main business segments:

- Own fleet
- External fleet

The Group's current own fleet comprises four wholly owned 6th generation harsh environment MODUs. The Group's current external fleet comprises four units on management contracts. As of the date of this Prospectus, all of the Group's own drilling rigs and managed rigs are drilling under contracts with key international oil companies in the North Sea and internationally.

Activities for the two business segments are summarised below.

6.1.1 The Group's own fleet

As of the date of this Prospectus, the Group's own fleet comprises of the following MODUs:

6.1.1.1 Deepsea Aberdeen (Ownership 100%)

The Deepsea Aberdeen was built in 2014 and is the third rig of the GVA 7500 design. Deepsea Aberdeen, which is part of the Bond collateral, is owned through its Dubai branch of SPV Deepsea Aberdeen. The unit is designed for operations in harsh environments and at water depths of up to 3,000m.

The Deepsea Aberdeen is currently on contract with Equinor drilling the Breidablikk development until later in 2023 where it will begin a period of drilling several wells on the Svalin field. Following completion of these wells, the

Deepsea Aberdeen will return to Breidablikk to complete that program. The Deepsea Aberdeen is expected to commence its SPS in late 2024 and has a firm contract with Equinor until mid-2025, whereafter there is a period of priced options until end 2026.

The Deepsea Aberdeen is owned by Guarantor SPV Deepsea Aberdeen, and Guarantor CharterCo Deepsea Aberdeen holds the charter contracts for the rig.

6.1.1.2 Deepsea Atlantic (Ownership 100%)

The Deepsea Atlantic was built in 2009 and like the Deepsea Stavanger and Deepsea Aberdeen uses a state-of-the-art dual derrick, dynamic positioned unit and was built according to a design of semi-submersible by GVA Consultants AB called the ”GVA 7500 design”. Deepsea Atlantic, which is part of the Bond collateral, is owned through its Dubai branch of SPV Deepsea Atlantic. The unit is designed for operations in harsh environments and at water depths of up to 3,000m.

Most recently, the Deepsea Atlantic has been focused on operations at the Johan Sverdrup Phase 2 development under the Master Frame Agreement with Equinor. Completing 11 wells during 2022, the rig was mostly focused on production operations and achieved a financial uptime of 97.7% during the period.

The Deepsea Atlantic is scheduled to continue to work on the Johan Sverdrup Phase 2 development until early 2024, where it will begin its SPS program, before beginning a scheduled new contract with Equinor for operations in the Norwegian Continental Shelf and United Kingdom Continental Shelf until mid-2026. Thereafter the Deepsea Atlantic has a mix of priced and unpriced options until 2030.

The Deepsea Atlantic is owned by Guarantor SPV Deepsea Atlantic, and Guarantor CharterCo Deepsea Atlantic holds the charter contracts for the rig.

6.1.1.3 Deepsea Stavanger (Ownership 100%)

The Deepsea Stavanger was built in 2010 and is a sister ship to the Deepsea Atlantic and Deepsea Aberdeen. Deepsea Stavanger is owned through its Dubai branch of Deep Sea Stavanger (UK) Ltd. The unit is designed for operations in harsh environments and at water depths of up to 3,000 m. The 7,500 mt loading capacity in all operating conditions ensures efficiency, with a reduced need for supply.

The Deepsea Stavanger has worked across the globe since it was built, most notably in South Africa on the Brulpadda and Luiperd discovery wells; some of the most technically challenging wells drilled in recent years.

Having returned to Norway in 2022, the Deepsea Stavanger has been working with both Lundin Energy, now part of the Aker BP group, and Equinor. Currently, the Deepsea Stavanger works with Equinor, mostly on exploration projects. During 2022, the Deepsea Stavanger worked on 17 exploration wells and achieved 96.9% financial uptime.

The Deepsea Stavanger will continue to work with Equinor until late 2024 and potentially into 2025. Thereafter the unit will undertake its SPS and subsequently during the first half of 2025, commence a scheduled 5-year contract with Aker BP for development drilling on the Yggdrasil project in Norway.

6.1.1.4 Deepsea Nordkapp (Ownership 100%)

The Deepsea Nordkapp is Odfjell Drilling’s youngest vessel, having been built in 2019. Deepsea Nordkapp is owned through its Dubai branch of Odfjell Rig V Ltd. The unit is a 6th generation dynamically positioned harsh environment semi-submersible, designed according to the Moss Maritime CS60E design. The rig is built to DNV Class requirements and designed for worldwide operations.

The Deepsea Nordkapp is currently on contract with Aker BP as part of an alliance framework agreement and is currently drilling in the Alvheim area. The Deepsea Nordkapp is contracted to continue to work for Aker BP until mid-2024, whereafter Aker BP has priced options for the unit until the end of 2025.

6.1.2 The Group's external fleet

As of the date of this Prospectus, the Group's external fleet comprises of the following MODUs:

6.1.2.1 Deepsea Yantai (Management Contract)

The Deepsea Yantai is a GM4D harsh environment design, the only unit in Odfjell Drilling's fleet of this design. It was completed in 2019 and is designed for operations in harsh environments and at water depths of up to 1,200m. The Deepsea Yantai has worked for various operators historically including Neptune, OMV, DNO and many others.

The Deepsea Yantai has multiple firm contracts in Norway agreed, which will see it in continuous operations until Q4 2024.

6.1.2.2 Deepsea Bollsta (Management Contract)

The Deepsea Bollsta is an enhanced and extended CS 60E harsh environment design and joined the fleet in March 2022. The Deepsea Bollsta, like its sister ship the Deepsea Mira is owned by Northern Ocean Limited.

The Deepsea Bollsta is currently operating offshore Namibia for Shell on their ongoing appraisal campaign. The unit has firm contracts with Shell which extend until mid-2024, whereafter it has options which might extend this contract until the end of 2024.

6.1.2.3 Deepsea Mira (Management Contract)

Like the Deepsea Bollsta, The Deepsea Mira is an enhanced and extended CS 60 E harsh environment design and joined the Odfjell Fleet officially in 2022. The Deepsea Mira was built in 2019 and is owned by Northern Ocean Limited.

The Deepsea Mira is currently operating offshore Namibia with Total Energies, where it will continue until early 2024, whereafter Total Energies has options which could extend this contract until the end of 2024.

6.1.2.4 Hercules (Management Contract)

The Hercules is a GVA 7500 design like the Deepsea Aberdeen, Deepsea Atlantic and Deepsea Stavanger and is capable of operating in harsh environments. The Hercules was completed in 2019 and joined the Odfjell fleet in late December 2022 and subsequently began a special periodic survey process. Odfjell Drilling operate the Hercules on behalf of its owners SFL Corp.

This year the Hercules has worked with ExxonMobil on an exploration well offshore Canada, before it joined the Deepsea Mira and Deepsea Bollsta offshore Namibia, working for Galp Energia. Following completion of this contract towards year end, the Hercules will return to Canada for a contract with Equinor.

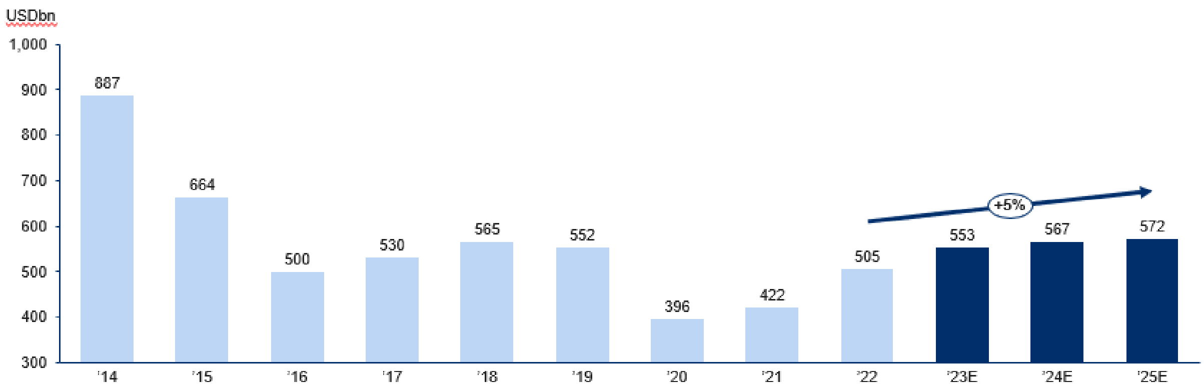
6.2 Principal markets in which the Group competes

Odfjell Drilling operates as a drilling contractor, offering a fleet of mobile offshore drilling units to support offshore drilling activities. The market for these mobile offshore drilling units is typically segmented based on rig types, their capabilities in terms of water depths, and their geographical areas of operation. These rigs are primarily owned by industry participants who specialize in providing drilling services. The profitability of the offshore drilling industry hinges on the delicate balance of rig supply and demand.

Offshore drilling contractors have the flexibility to relocate rigs from one region to another or reactivate rigs that have been cold stacked to meet varying market demands. These contractors secure contracts through competitive tenders or direct negotiations. Contract terms specify compensation based on factors such as the number of available rigs, the nature and duration of operations, the equipment and services provided, geographical areas of operation, and other variables. Typically, drilling service contracts outline a daily compensation rate and can vary significantly in duration, ranging from weeks to several years.

Mobile offshore drilling units are generally marketed on a global scale and can be transported between locations using built-in propulsion systems or external rig-moving vessels. Between 2004 and 2013, global offshore E&P expenditure experienced substantial growth. However, the significant drop in oil and gas prices from late 2014 and throughout 2015 and 2016 led to a sharp decrease in rig demand during that period. Periods of high rig demand are typically followed by shortages and, consequently, higher day rates, which encourage industry participants to order new drilling units. This trend was evident before the 2014 oil price decline when several industry players ordered newbuild rigs due to strong market demand and high prices.

Global offshore E&P spending

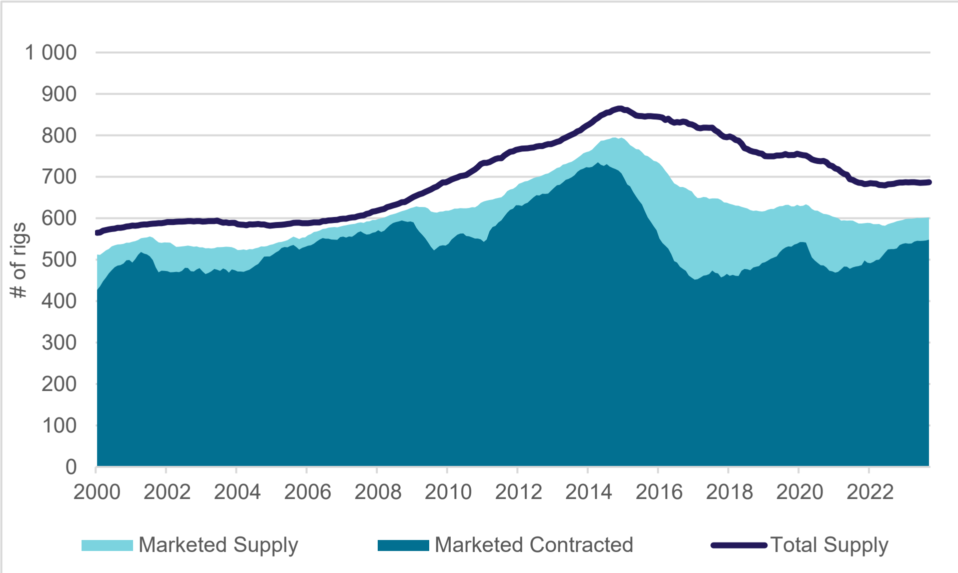


Source: Rystad Energy UCube as of May 2023 (Rystad download (behind payment walls))

In contrast, as market conditions deteriorated between 2015 and 2016, the number of rigs increased. This was primarily due to rigs coming off contract without follow-up work and a slower-than-planned delivery of previously ordered newbuilds. As a result, the oversupply of rigs reduced day rates. Currently, there are 687 offshore drilling rigs in total, with 548 of them under contract, resulting in an overall utilization rate of 80%.

The figure below provides a visual representation of the supply and demand dynamics in the offshore drilling market, with "Contracted" indicating the number of rigs actively working at any given time.

<u>Supply and demand for offshore drilling units</u>



Source: IHS Petrodata RigBase as of September 2023 (IHS Petrodata download (behind payment walls))

6.2.1.1 Mobile offshore drilling segments

All offshore rigs are equipped to provide various levels of storage, workspace, drilling capabilities, and water depth capacity, along with essential living quarters to support continuous well construction and maintenance services for the oil and gas industry. However, the mobile offshore drilling segment can be categorized into three primary types: semi-submersibles, drillships, and jack-ups, and further classified into four water depth categories: shallow water (0 to 400 feet), midwater (400 to 3,000 feet), deepwater (3,000 to 7,500 feet), and UDW (7,500 feet and beyond). Additionally, mobile offshore drilling units are designated as either suitable for harsh environments or non-harsh environments, depending on the geographic regions they are designed to operate in (for more details, refer to Section 6.2.1.2 "*The harsh environment market*" below). Below is a brief overview of the main segments:

- **<u>Semi-submersible:</u>** Floating platforms with a ballasting system, operating in a "semi-submerged" position, with the lower hull ballasted below the waterline. The rigs can either be moored, dynamically positioned or a combination of both. Semi-submersibles operate worldwide in both midwater, deepwater and UDW areas. However, semi-submersibles are generally well suited to operate in midwater areas globally. Due to the good motion characteristics of semi-submersibles, the rigs are well suited to operate in harsh environment areas, for more information see Section 6.2.1.2 "*The harsh environment market*" below. The global fleet of semi-submersible rigs consists of 157 units, of which 14 are under construction, and of which four are high-specification and harsh environment.

- **<u>Drillship:</u>** Generally self-propelled ships that can either be equipped with conventional mooring systems or dynamic positioning systems. Drillships operate in both the midwater, deepwater and UDW areas globally, depending on what the specific rig is dimensioned and equipped for. However, drillships are well suited for UDW drilling, also in remote locations due to its mobility and high load capacity. Typical areas of operation by geography are Brazil, West Africa, and the US Gulf of Mexico. The global drillship fleet consists of 144 units, of which 28 are currently under construction.

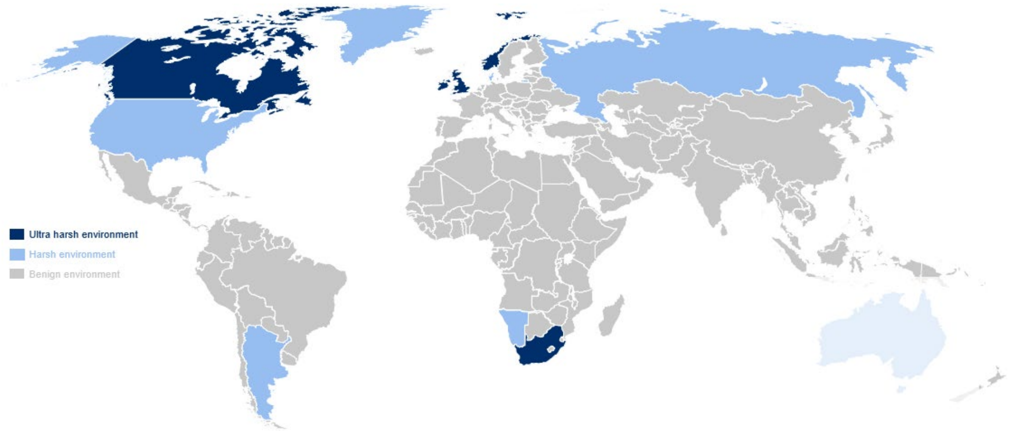
- **<u>Jack-up:</u>** A jack-up drilling rig is towed to the drill site with its hull riding in the water and its legs raised. At the drill site, the jack-up drilling rig's legs are lowered until they penetrate the seabed and its hull is elevated until it is above the surface of the water. After the completion of drilling operations at a drill site, the hull is lowered until it rests on the water, the legs are raised and the drilling rig can be relocated to another drill site. Jack-up units typically operate in relatively shallow water depths, and generally up to approximately 400 ft. To move jack-up rigs long distances (e.g. when mobilising from one region to another), the rig is transported on board a heavy-lift vessel with the entire rig travelling above the water line (a "dry tow"). Typical areas of operation by geography are the Middle East, Southeast Asia, West Africa and the North Sea. The global jack-up rig fleet consists of 630 units, of which 91 are currently under construction. In recent years, a large influx of newbuild deliveries has created further classes of units pending on year of delivery, generally split between modern (delivered ex yard 2000 or later) and rigs built prior to 2000. Generally, modern rigs have higher utilisation and receive higher day rates compared to older rigs. Using floaters as a proxy, the below figure shows the difference between day rates for semi-submersibles/drillships built 2000 or later versus before 2000 (3 months average).

6.2.1.2 The harsh environment market

Exploration and development of oil reserves are on the rise in colder and more isolated regions, including the North Sea, Arctic, the western coast of Australia, and the Falkland Islands. These areas, classified as "harsh environments," are typically marked by frigid temperatures, turbulent seas, powerful winds, limited daylight, and, in some instances, the added challenge of dealing with ice. Operating in such conditions presents substantial operational challenges, resulting in significant barriers to entry.

As a result, suppliers operating in the harsh environment market have generally experienced elevated utilization rates, along with both extended contract durations and lead times when compared to other offshore drilling markets.

Overview of harsh environment regions



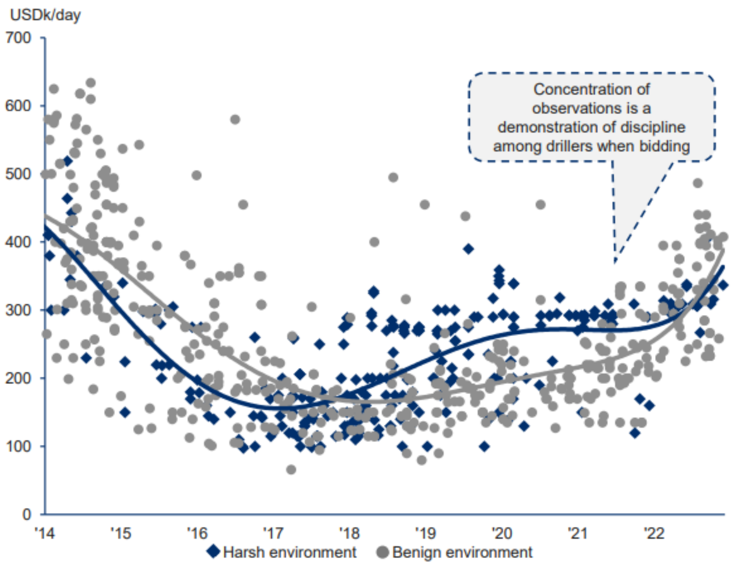
Source: Company information

Rigs designed for operation in harsh environments are constructed to more rigorous specifications compared to those intended for non-harsh conditions. Typically, these rigs are semi-submersibles, chosen for their enhanced stability in rough seas. These specialized rigs boast larger generator capacities to provide increased thruster power, as well as improved lighting and heat-tracing systems. Moreover, the derrick and other deck areas are often winterized, meaning that working spaces on the deck are covered and sheltered, ensuring a safer work environment.

Modern harsh environment rigs are engineered to operate year-round, depending on ice conditions, whereas older harsh environment rigs may be unable to work during winter months in certain regions. Due to their specialized features and the necessity to adhere to extensive regulatory requirements, the construction cost of harsh environment rigs surpasses that of rigs intended for non-harsh environments.

Consequently, harsh environment rigs generally command higher day rates, as exemplified in the table below. However, these day rates are subject to fluctuations based on the demand for harsh environment rigs. As drilling activities in harsh environments are projected to increase while the supply of suitable rigs remains limited, it is expected that harsh environment rigs will continue to enjoy premium day rates and higher utilization rates in the future.

Contract dayrates for harsh and benign environment rigs



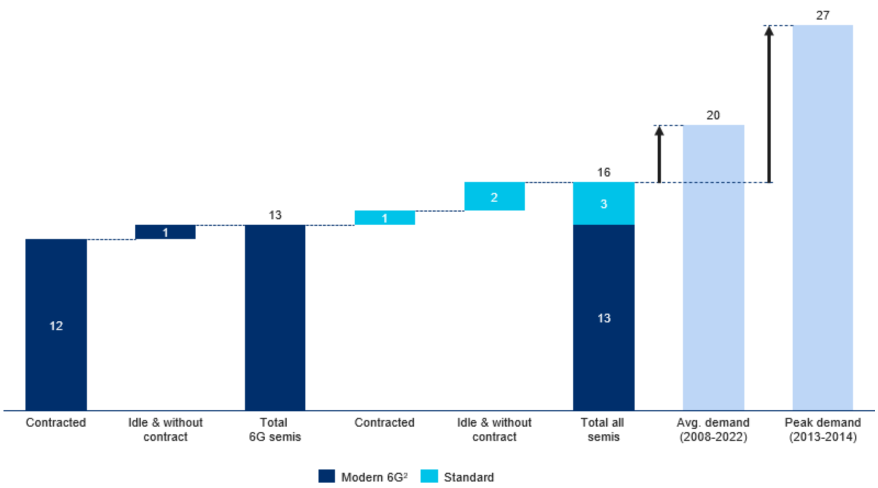
Source: IHS Petrodata RigBase as of May 2023 (IHS Petrodata download (behind payment walls))

6.2.1.3 The Norwegian rig market

The drilling market in Norway presents some of the highest entry barriers within the industry. This is because all rigs operating on the Norwegian Continental Shelf (NCS) must adhere to exceptionally rigorous regulatory and technical requirements. These strict prerequisites have restricted the influx of new rigs into Norway, and only a small number of recent newbuilds have been constructed to meet Norwegian specifications in comparison to the global rig supply.

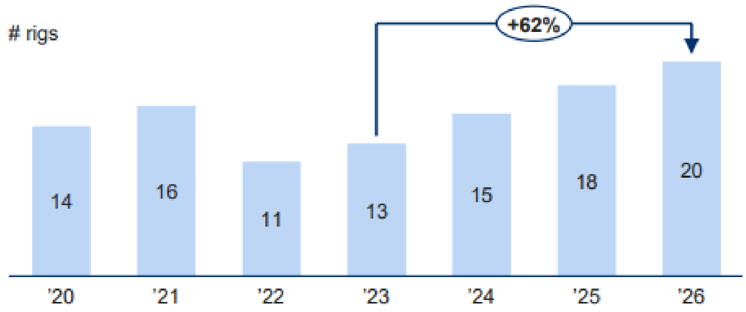
The historical and present fleet of semi-submersibles on the NCS is depicted below. The scarcity of suitable rigs has led to substantial contract coverage for the modern semi-submersible fleet in Norway. This situation provides companies operating in Norway with relatively clear insights into rig utilization, ensuring a high level of visibility in this regard.

Supply of semi-submersibles in Norway



Source: IHS Petrodata RigBase and Rystad Energy UCube as of May 2023 (IHS Petrodata and Rystad download (behind payment walls))

<u>Demand for semi-submersibles in Norway</u>

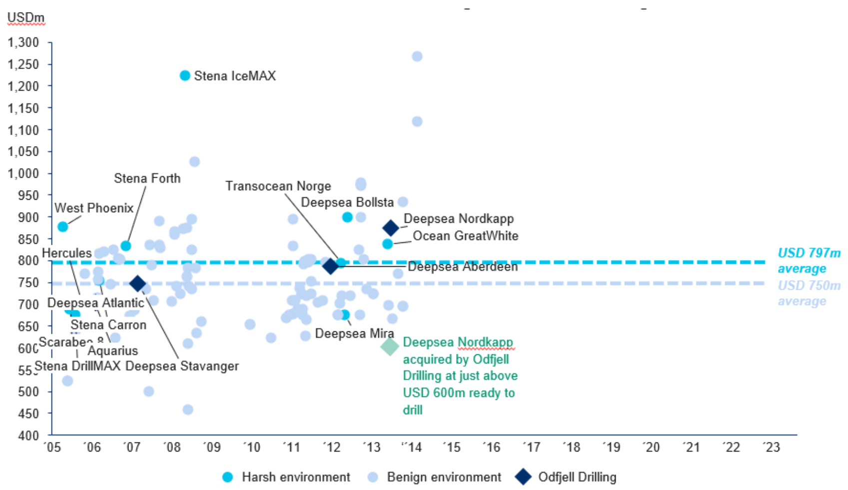


Source: Rystad Energy UCube as of May 2023 (Rystad download (behind payment walls))

6.2.1.4 The semi-submersible newbuild market

As shown in the chart below, no new rigs have been ordered since the oil prices started to drop in 2014. Only a few rigs are left at yard, with delivery being postponed several times over several year.

<u>Newbuild orders for harsh and benign environment UDW rigs</u>



Source: IHS Petrodata RigBase as of May 2023 (underlying data) and DNB Markets (further calculations) (IHS Petrodata download (behind payment walls))

The yard cost for a high-specification UDW semi-submersible designed for harsh environments can vary significantly depending on the equipment and specifications. Historical orders for these units have generally fallen within the range of USD 500 million to USD 900 million in terms of yard cost. Historically, a yard cost in this range translated to a total cost of approximately USD 1,000 million today, encompassing expenses such as capitalized interests, spare parts, contingency, and construction management.

6.3 History and development

6.3.1 Establishment of the Group

The Group can trace its roots back to 1914, when the shipping company Odfjell A/S was first established, developing into an industry leader in the chemical tankers shipping industry. Towards the end of the 1960s, the Odfjell family decided to construct a semi-submersible drilling rig in Norway, built and funded by Norwegians, as the activity in the oil industry was growing rapidly. In October 1971, the Odfjell family led a Norwegian investment group that formed the company Deep Sea Drilling Company A/S.

The Aker group was initially a key partner of Odfjell Drilling, as its first construction contract was signed with Aker. After meeting several oil companies, a drilling contract was agreed with ELF in Paris on 15 January 1973, and the rig was delivered on 15 February 1974. This contract breakthrough and subsequent successful newbuild development, led to the establishment of Odfjell Drilling and Consulting Company A/S ("ODCC"), which was later renamed Odfjell Drilling A/S, on 8 February 1973.

Since then, the Group has owned or managed more than 30 mobile drilling vessels, accumulating significant experience in this area.

In an industry that has gone through rapid change, the Group has continuously focused on diversifying its services to maintain a foothold in several business and geographical areas. In 1977, Odfjell Drilling established an office in the UK with the aim to manage its business on the UKCS. The Group's presence on the UKCS has gradually increased over the years such that in 2002 and 2003, a new business was established in Aberdeen, UK to manage new platform drilling contracts for fixed installations.

In 2022, the Group split their Well Services, Operation Operations and Engineering business into a new company called Odfjell Technology Ltd, whilst retaining their core business of operating and drilling with its remaining MODU business. This business remains as Odfjell Drilling.

The Group's current fleet comprises four wholly owned 6th generation harsh environment MODU’s and four units on management contracts. In 2022, all of the Group's own drilling rigs and our managed rigs secured contracts with key international oil companies in some of the most demanding areas in the North Sea and internationally.

In 2023, the Group celebrated its 50th anniversary since its establishment and has over 1400 employees.

6.3.2 Historic development and key milestones

The table below shows the Group's key milestones from its establishment and until the date of this Prospectus.

Year	Main Events
1973	Odfjell Drilling and Consulting Company A/S was first established.
1973	Launch of first Norwegian built drilling rig, the Deep Sea Driller
1978	Odfjell Drilling is the first Norwegian company to be awarded a platform drilling contract on the NCS
1981	Started drilling operations on Statfjord ‘B’
2006	Fleet renewal programme was initiated
2009	The Deepsea Atlantic was delivered
2010	The Deepsea Stavanger was delivered
2011	Incorporation of the Issuer
2013	Odfjell Drilling listed on the Oslo Stock Exchange
2014	The Deepsea Aberdeen was delivered

2019	The Deepsea Nordkapp was delivered
2020	The Deepsea Bergen was retired
2022	The Group spun-off their Well Services, Operation Operations and Engineering business into Odfjell Technology Ltd through the split
2023	The Reorganisation and refinancing of the Group
2023	Bond Issue and listing of the Bonds

6.4 Material contracts outside the ordinary course of business

Neither the Issuer nor any of the Guarantors have entered into any material contract outside the ordinary course of business, which could result in any of the Issuer or any of the Guarantors being under an obligation or an entitlement that is material to their ability to meet their obligations to security holders in respect of the Bonds.

6.5 Environmental, health and safety matters and regulatory framework

The Group's operations are subject to numerous QHSE laws and regulations in the form of international treaties and maritime regimes, flag state requirements, national environmental laws and regulations, navigation and operating permits requirements, local content requirements, and other national, state and local laws and regulations in force in the jurisdictions in which the vessels operate or are registered. Among other things, such laws govern the discharge of materials into the environment or otherwise relate to environmental protection.

6.6 Dependency on patents, licenses or contracts

No Group Company is dependent on any patent or license, industrial, commercial or financial contracts or new manufacturing processes.

6.7 Insurance

The Group maintains a range of insurance coverage in relation to its business that is customary for its industry, including, without limitation, maritime insurances covering its vessels, such as hull and machinery, hull interest, freight interest and war risk cover, freight, demurrage and defence cover (FDD) and protection and indemnity (P&I) that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

6.8 Legal and arbitration proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and the Guarantors are aware) during the previous 12 months, which may have, or have had in the recent past, significant effects on the Issuer, any of the Guarantors, or the Group's financial position or profitability.

7 SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial information included in this Section has been extracted from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report, as defined and further detailed in Section 4.3 "Presentation of financial and other information" above. All financial information included in this Section should be read in connection with, and is qualified in its entirety by reference to, the Financial Information.

7.1 Summary of accounting policies and principles

The Issuer's Audited Financial Statements as per and for the year ended 31 December 2022 have been prepared in accordance with IFRS as adopted by the EU, and the Issuer's Audited Financial Statements as per and for the year ended 31 December 2021 have been prepared in accordance with NGAAP.

The Issuer's Unaudited Interim Report has been prepared in accordance with IAS 34, 'Interim financial reporting'.

For more information regarding accounting policies and the use of estimates and judgements, please refer to notes 2 and 3 of the Issuer's Audited Financial Statements and note 1 of the Issuer's Unaudited Interim Report, all enclosed to this Prospectus as Appendix L.

7.2 Independent auditors

The Issuer's independent auditor is KPMG AS, with company registration number 935 174 627, and registered address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*"). KPMG AS has been the Issuer's independent auditor since 2021.

7.3 The Issuer

7.3.1 Selected income statement data

The table below sets out selected data from the Issuer's income statement as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

On 1 June 2023, the Issuer acquired the rig owning company SPV Deepsea Atlantic and the operating company CharterCo Deepsea Atlantic (see Section 8.6). The entire transaction is accounted for as a common control transaction and the consolidated figures are based on predecessor carve-out combined accounting. Please refer to note 1 of the Issuer's Unaudited Interim Report, appended as Appendix L for further information.

(in USDm)	Issuers Consolidated Interim report			Issuers separate FS*	
	Six months ended 30 June		Year ended 31 December	Year ended 31 December	
	2023	2022	2022	2022	2021
Operating revenue	**143,9**	**148,2**	**295,9**	**0,00**	**0,00**
Personnel expenses	-35,6	-37,0	-70,7	0,00	0,00
Other operating expenses	-31,0	-34,8	-70,1	-0,06	-0,06
EBITDA	**77,2**	**76,4**	**155,1**	**- 0,06**	**- 0,06**
Depreciation and amortisation	-48,6	-43,8	-91,1	0,00	0,00
Operating profit (EBIT)	**28,6**	**32,6**	**64,0**	**- 0,06**	**- 0,06**
	-16,3	4,1	-2,8	0,72	2,15

Net financial items					
Profit before taxes	**12,3**	**36,7**	**61,2**	**0,66**	**2,10**
Income taxes	-0,6	-1	-1,7	0,00	0,00
Profit (loss)	**11,7**	**35,7**	**59,5**	**0,66**	**2,10**

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

7.3.2 *Selected financial position data*

The table below sets out selected data from the Issuer's statement of financial position as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

(in USDm)	**Issuers Consolidated Interim report**			**Issuers separate FS***	
	Six months ended 30 June		**Year ended 31 December**	**Year ended 31 December**	
	2023	**2022**	**2022**	**2022**	**2021**
Assets					
Property, plant and equipment	926,9	980,3	954,3		
Deferred tax asset	0,9	0,6	0,6		
Investments in subsidiaries				160,4	160,4
Other non-current assets				50,0	118,6
Total non-current assets	**927,8**	**980,9**	**954,9**	**210,4**	**279,0**
Trade receivables	35,4	49,8	40,0		
Contract assets	4,5	31,7	7,2		
Other current assets				9,1	28,6
Cash and cash equivalents	64,1	64,7	79,2	46,9	20,1
Total current assets	**104,0**	**146,2**	**126,4**	**56,0**	**48,7**
TOTAL ASSETS	**1031,9**	**1127,0**	**1081,3**	**266,4**	**327,7**

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

7.3.3 *Selected cash flow statement data*

The table below sets out selected data from the Issuer's statement of cash flow as derived from the Issuer's Audited Financial Statements and the Issuer's Unaudited Interim Report.

(in USDm)	**Issuers Consolidated Interim report**			**Issuers separate FS***	
	Six months ended 30 June		**Year ended 31 December**	**Year ended 31 December**	
	2023	**2022**	**2022**	**2022**	**2021**
Net cash flows from operating activities	72.1	47.6	160.1	7.1	(4.8)
Net cash flows from investing activities	(311.7)	(8.0)	(30.6)	71.4	64.3
Net cash flows from financing activities	231.1	(36.1)	(109.8)	(52.0)	(52.9)

*Derived from the Issuer's audited separate financial statements for the year 2022, with comparative figures for 2021

7.4 The Guarantors

Please refer to Section 11 "*The Guarantors*" for historical financial information relating to the Guarantors.

8 FINANCIAL OVERVIEW AND RECENT DEVELOPMENTS

This Section on financial overview should be read together with the Financial Information and related notes included therein. The Financial Information has been incorporated by reference into this Prospectus.

This Section should also be read together with Section 4 "General Information" and Section 6 "Business of the Issuer and the Group". This review contains forward-looking statements. These statements do not constitute historical facts, but are rather based on the Group's current expectations, estimates, assumptions and projections about the Group's industry, business, strategy, and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 "Risk Factors" of this Prospectus, as well as other Sections of this Prospectus.

8.1 General overview and recent developments

Neither the Issuer nor the Guarantors have experienced, nor do they have any information on, any significant trends that are reasonably likely to have a material adverse effect or result in any material adverse change on the Issuer or the Guarantor's prospects since the date of the last published audited financial statements.

8.2 Significant change in the financial position of the Issuer or the Guarantors

There has been no significant change in the financial position of the Issuer or the Guarantors since 30 June 2023 (being the end of the last financial period for which financial information have been published) and until the date of this Prospectus.

8.3 Significant change in the financial performance of the Guarantors

There have been no significant changes in the financial performance of the Issuer or the Guarantors since 30 June 2023 (being the end of the last financial period for which financial information has been published) and until the date of this Prospectus.

8.4 Recent events relevant for the evaluation of the solvency of the Issuers and Guarantors

Neither the Issuer, nor any of the Guarantors, are aware of any recent events particular to the Issuer or any of the Guarantors, which are to a material extent relevant to the evaluation of the Issuer's, or any of the Guarantor's, solvency.

8.5 Material changes in the Issuer and the Guarantor's borrowing and funding structure

By the end of June 2023, the Group completed a refinancing through the issuance of the Bonds as well as through amending, extending and securing bank facilities. The Group raised USD 390 million via the Bonds, amended and extended its USD 197 million Deepsea Nordkapp facility to January 2029 with a commercial tranche and an export credit agency tranche, and secured a USD 300 million bank facility on Deepsea Stavanger, maturing in February 2028, consisting of a USD 125 million term loan and a USD 175 million Revolving Credit Facility (RCF). Existing bank facilities were prepaid and any material maturities were removed until 2028.

Please refer to note 7 of the unaudited condensed consolidated interim report for Odfjell Drilling, attached hereto as Appendix M, for further information.

Besides from the above, neither the Issuer nor any of the Guarantors have had any material changes in the borrowing and funding structure.

8.6 Recent reorganisation of the Group

As part of the refinancing of the Group in 2023, which included the Bond Issue (see Section 8.5) a subsequent reorganisation of the Group was carried out. In the reorganisation, the Issuer acquired the shares in the rig owning company SPV Deepsea Atlantic and the operating company CharterCo Deepsea Atlantic.

Concurrent with the acquisition, CharterCo Deepsea Atlantic transferred the business related to the MODU Deepsea Stavanger to another Group Company.

8.7 Expected financing of the Group's activities

Please refer to section 8.5 "*Material changes in the Group's borrowing and funding structure*" for information on the financing of the Group's activities as of the date of this Prospectus. Neither the Issuer nor any of the Guarantors have any other major maturities before 2028 and 2029, except from a Samsung seller credit which matures in first quarter of 2024. Part of the Group’s indebtedness is repaid through agreed instalments prior to final maturity.

9 BOARD OF DIRECTORS AND MANAGEMENT

The names and positions of the members of the board of directors and managements of the Issuer and the Guarantors, respectively, are set out below. The registered business addresses of the Issuer and the Guarantors serves as business address for the Issuer's and the Guarantor's members of the board of directors and management.

9.1 Board of Directors and Management of the Issuer

9.1.1 Board of Directors

The table below sets out the members of the Board of Directors of the Issuer, as of the date of this Prospectus.

Name	Position
Helene Odfjell	Director
Kjetil Gjersdal	Director
Diane Stephen	Director

9.1.2 Management

The table below sets out the members of Management of the Issuer, as of the date of this Prospectus.

Name	Position
Helene Odfjell	President
Diane Stephen	General Manager

9.2 Board of Directors and Management of Odfjell Drilling (Guarantor)

9.2.1 The board of directors

The table below sets out the members of the board of directors of Odfjell Drilling, as of the date of this Prospectus.

Name	Position
Simen Lieungh	Chairperson
Knut Hatleskog	Board Member
Helene Odfjell	Board Member
Harald Thorstein	Board Member

9.2.2 The Management

The table below sets out the members of management of Odfjell Drilling, as of the date of this Prospectus.

Name	Position
Kjetil Gjersdal	Group CEO
Frode Skage Syslak	Group CFO
Diane Stephen	General manager

9.3 Board of Directors and Management of ORO (Guarantor)

9.3.1 The board of directors

The table below sets out the members of the board of directors of ORO, as of the date of this Prospectus.

Name	Position
Helene Odfjell	Board Member
Kjetil Gjersdal	Board Member
Diane Stephen	Board Member

9.3.2 The Management

The table below sets out the members of management of ORO, as of the date of this Prospectus.

Name	Position
Helene Odfjell	President
Diane Stephen	General Manager

9.4 Board of Directors and Management of SPV Deepsea Aberdeen (Guarantor)

9.4.1 The board of directors

The table below sets out the members of the board of directors of SPV Deepsea Aberdeen, as of the date of this Prospectus.

Name	Position
Helene Odfjell	Board Member
Kjetil Gjersdal	Board Member
Diane Stephen	Board Member

9.4.2 The Management

The table below sets out the members of management of SPV Deepsea Aberdeen, as of the date of this Prospectus.

Name	Position
Erik Askvik	Branch Manager
Harald Linchausen	Risk, Insurance and Compliance Manager
Sameer Pari	Head of Finance & Business Management

9.5 Board of Directors and Management of SPV Deepsea Atlantic (Guarantor)

9.5.1 The board of directors

The table below sets out the members of the board of directors of SPV Deepsea Atlantic, as of the date of this Prospectus.

Name	Position
Helene Odfjell	Board Member
Kjetil Gjersdal	Board Member

Diane Stephen	Board Member

9.5.2 The Management

The table below sets out the members of management of SPV Deepsea Atlantic, as of the date of this Prospectus.

Name	Position
Erik Askvik	Branch Manager
Harald Linchausen	Risk, Insurance & Compliance Manager
Sameer Pari	Head of Finance & Business Management

9.6 Board of Directors and Management of CharterCo Deepsea Aberdeen (Guarantor)

9.6.1 The board of directors

The table below sets out the members of the board of directors of CharterCo Deepsea Aberdeen, as of the date of this Prospectus.

Name	Position
Kjetil Gjersdal	Chairperson
Frode Skage Syslak	Board member
Janike Amundsen Myre	Board member

9.6.2 The Management

The table below sets out the members of management of CharterCo Deepsea Aberdeen, as of the date of this Prospectus.

Name	Position
Jakob Korsgaard	CEO

9.7 Board of Directors and Management of CharterCo Deepsea Atlantic (Guarantor)

9.7.1 The board of directors

The table below sets out the members of the board of directors of CharterCo Deepsea Atlantic, as of the date of this Prospectus.

Name	Position
Kjetil Gjersdal	Chairperson
Frode Skage Syslak	Board member
Janike Amundsen Myre	Board member

9.7.2 The Management

The table below sets out the members of management of CharterCo Deepsea Atlantic, as of the date of this Prospectus.

Name	Position

Jakob Korsgaard CEO

9.8 Principal activities performed outside of the Issuer and the Guarantors

In addition to the board positions in the Issuer and the Guarantors, as mentioned above in Section 9.7, Helene Odfjell is also a member of the board of directors in the following entities:

- Deep Sea Stavanger (UK) Ltd. (board member)
- Odfjell Rig V Ltd. (board member)
- Odfjell Drilling Services Ltd. (board member)
- Odfjell Drilling South Africa Ltd. (board member)
- Odfjell Invest Ltd. (board member)
- Odfjell Technology Ltd. (Chairperson)
- Odfjell Technology Invest Ltd. (board member)
- Odfjell Offshore Ltd. (board member)
- Odfjell Well Services Ltd. (board member)
- Odfjell Well Services II Ltd. (board member)
- Odfjell Partners Holding Ltd (board member and majority shareholder)
- Odfjell Technology Holding Ltd (board member and majority shareholder)

In addition to the board position in Odfjell Drilling, as mentioned above in Section 9.7, Simen Lieungh is also a member of the board of directors in the following entities:

- Odfjell Drilling Ltd (Chairperson)
- Odfjell Operations AS
- Odfjell Technology (UK) Ltd.
- Odfjell Well Services (UK) Ltd.
- Odfjell Engineering AS
- Odfjell Well Services Norway AS
- Odfjell Offshore Ltd.
- Odfjell Platform Drilling AS
- Odfjell Well Services AS
- Odfjell Technology AS
- Odfjell Energy Crewing AS
- Odfjell Oceanwind AS
- Odfjell Technology Invest Ltd.
- Odfjell Well Services II Ltd.
- Odfjell Well Services Ltd.
- Odfjell Well Services Cooperatief UA
- Odfjell Well Services SRL
- Odfjell Drilling Deep Sea Management DMCC
- Stiftelsen Multiconsult AS

In addition to the board position in Odfjell Drilling, as mentioned above in Section 9.7, Harald Thorstein is also a member of the board of directors in the following entities:

- Aquaship AS
- B2 Holding ASA
- Jacktel AS
- Yara International ASA
- Dof Group ASA

Besides from the above, no significant activities are performed outside of the Issuer or the Guarantors by any member of the board of directors and management of the Issuer and the Guarantors.

9.9 Potential conflicts of interest

None of the members of the Board of Directors or Management has during the last five years preceding the date of this Prospectus:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his/her capacity as a founder, director or senior manager of a company or partner of a limited partnership.

Helene Odfjell, who indirectly controls the Group through Odfjell Partners Holding Limited, is also the majority shareholder of Odfjell Technology, which has carried out related-party transactions with Odfjell Drilling. Furthermore, Simen Lieungh, who is the chairperson of Odfjell Drilling, is also the CEO of Odfjell Technology.

Besides from the above, and to the Issuer's knowledge, there are currently no other actual or potential conflicts of interest between the private interests or other duties of any of the members of the Management and the Board of Directors and their duties towards the Issuer or any of the Guarantors, including any family relationships between such persons.

10 CORPORATE INFORMATION

10.1 Corporate information

The Issuer's legal and commercial name is Odfjell Rig III Ltd. The Issuer was incorporated on 9 November 2011 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. The Issuer's registration number is 45961.

The Issuer's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Telephone: + 1 (441) 400 8900. The Issuer's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

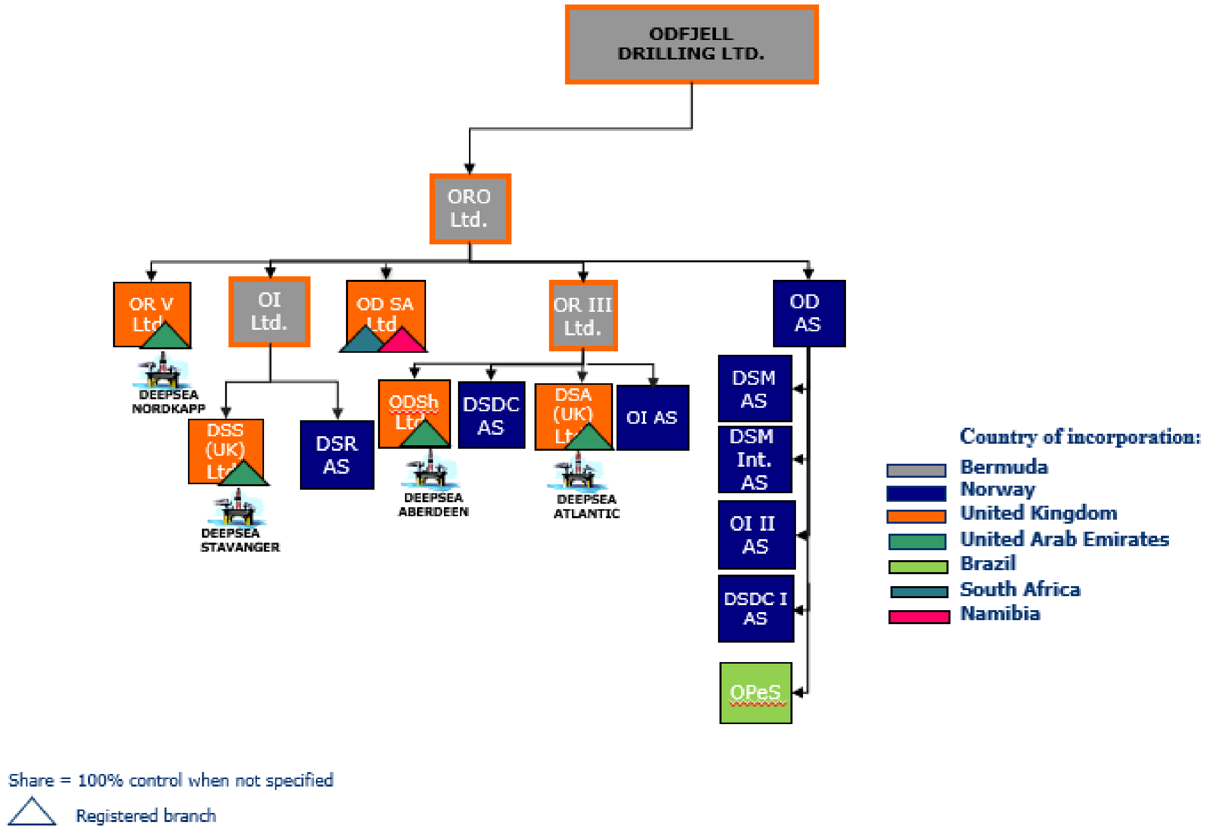
The Bonds are registered in book-entry form with Euronext Securities Oslo with ISIN NO0012921172. The Issuer's LEI-code is 529900JX0H45QUN1EC58.

10.2 Legal structure

The Issuer is indirectly, through ORO, 100% owned by Odfjell Drilling, the ultimate parent company of the Group.

The Group's operations are carried out through the Issuer's operating subsidiaries, and the main portion of the Group's cash balance is held at subsidiary level to cover the daily liquidity requirements of the operating subsidiaries. As such, the Issuer is dependent on the upstreaming of cash and dividends from its subsidiaries, or downstream from parent companies, in order to service its debt and operational expenditures.

An extract of the legal structure of the Group as of the date of this Prospectus is set out below:



The table below sets out brief information about the material Group companies. All of the material Group companies are 100% owned, directly or indirectly, by Odfjell Drilling. Several of the subsidiaries in the list below have granted security for the Bonds as Guarantors.

Group chart reference	Name of company	Principal place of business	Main activity
OR III Ltd	Issuer	UK	Holding company
ORO Ltd	ORO (Guarantor)	UK	Holding company
OI Ltd.	Odfjell Invest Ltd.	UK	Holding company
ODSh Ltd.	SPV Deepsea Aberdeen (Guarantor)	United Arab Emirates / UK	Rig owning
DSA (UK) Ltd	SPV Deepsea Atlantic (Guarantor)	United Arab Emirates / UK	Rig owning
OR V Ltd	Odfjell Rig V Ltd.	United Arab Emirates / UK	Rig owning
DSS (UK) Ltd	Deep Sea Stavanger (UK) Ltd.	United Arab Emirates / UK	Rig owning
DSDC AS	CharterCo Deepsea Aberdeen (Guarantor)	Norway	Drilling operations
OI AS	CharterCo Deepsea Atlantic (Guarantor)	Norway	Drilling operations
OI II AS	Odfjell Invest II AS	Norway	Drilling operations
DSDC I AS	Deep Sea Drilling Company I AS	Norway	Drilling operations
OD SA Ltd	Odfjell Drilling South Africa Ltd.	South Africa / Namibia	Drilling operations
OD AS	Odfjell Drilling AS	Norway	Management
DSM AS	Deep Sea Management AS	Norway	Crewing
DSM Int. AS	Deep Sea Management International AS	Norway	Crewing

10.3 Major shareholders

As of the date of this Prospectus, the largest shareholder of the Group's ultimate parent company, Odfjell Drilling, is Odfjell Partners Holding Limited, which is controlled by Helene Odfjell. Odfjell Partners Holding Limited holds 142,952,381 of the common shares in Odfjell Drilling, corresponding to 60.37% of the common shares in the company. As such, Helene Odfjell exercises control over the Issuer and the Guarantors, though Odfjell Partners Holding Limited.

Neither the Issuer, nor any of the Guarantors, are aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer or the Guarantors.

10.4 Share capital

As of the date of this Prospectus, the Issuer's issued share capital consists of 10,000 shares with a nominal value of USD 1 each. All of the Issuer's shares have been created and issued in accordance with the requirements of the Bermuda Companies Act and the Bye-Laws, and all issued shares are validly issued and fully paid up.

10.5 The Listing

On 17 October 2023, the Issuer applied for the Bonds to be listed on the Oslo Stock Exchange. Approval of the application and commencement of trading in the Bonds is expected to take place on or about 27 October 2023 under the ticker code "ODRG", subject to fulfilment of any criteria set by the Oslo Stock Exchange.

The Issuer has not applied for the Bonds to be listed on any other stock exchange or regulated market.

10.6 Bye-Laws and Memorandum of Association

The Memorandum of Association of the Issuer is enclosed as Appendix D to this Prospectus, and the Bye-Laws of the Issuer are enclosed as Appendix E to this Prospectus.

10.6.1 Objective of the Issuer

Pursuant to Section 6 of the Issuer's Memorandum of Association, the objects for which the Issuer is formed and incorporated are unrestricted.

11 THE GUARANTORS

11.1 Legal structure of the Group

Reference is made to Section 10.2 "*Legal structure*" for a legal structure of the Group and the Guarantors' position therein.

11.2 Odfjell Drilling

11.2.1 Corporate information

Odfjell Drilling (legal name Odfjell Drilling Limited), was incorporated on 16 November 2005 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act.

Odfjell Drilling is the ultimate parent company of the Group.

Odfjell Drilling's registration number is 37607. The company's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Odfjell Drilling's LEI-code is 529900M08ZU24JXMPB85.

Telephone: + 1 (441) 400 8900. Odfjell Drilling's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.2.2 Objects and purposes as they follow from the articles of association

Odfjell Drilling's objects and purposes are not explicitly stated in Odfjell Drilling's articles of association.

11.2.3 Share capital

As of the date of this Prospectus, Odfjell Drilling's total share capital is USD 2,529,000 divided on 236,783,202 issued listed shares / common shares and 16,123,125 issued preference shares, each with a nominal value of USD 0.01. The number of authorised, not issued shares is 47,093,673. All of the issued shares are validly issued and fully paid up.

11.2.4 Historical financial information

Odfjell Drilling's consolidated and separate audited financial statements as per and for the years ended 31 December 2022 and 31 December 2021, and Odfjell Drilling's unaudited condensed consolidated interim report prepared for the three and six month periods ending 30 June 2023, can be found in Appendix M.

11.2.5 Independent auditor

Odfjell Drilling's independent auditor is KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*"). KPMG AS has been Odfjell Drilling's independent auditor since 2021.

11.3 ORO

11.3.1 Corporate information

ORO (legal name Odfjell Rig Owning Ltd), was incorporated on 16 December 2015 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act.

ORO is the owner of 100% of the shares in the Issuer, and the holding company for the rig ownership within the Group.

ORO's registration number is 50982. ORO's registered office is at Clarendon House 2, Church Street, Hamilton HM11, Bermuda.

ORO's LEI-code is 529900TCA8W69BHIS375.

Telephone: + 1 (441) 400 8900. ORO's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.3.2 Objects and purposes as they follow from the articles of association

ORO's objects and purposes are not explicitly stated in ORO's articles of association.

11.3.3 Share capital

As of the date of this Prospectus, ORO's issued share capital consists of 10,000 issued shares with a nominal value of USD 1 each. All of the issued shares are validly issued and fully paid up.

11.3.4 Historical financial information

ORO's audited separate financial statements as per and for the years ended 31 December 2022 and 31 December 2021 can be found in Appendix N. ORO's unaudited interim condensed separate financial statements for the six month periods ending 30 June 2023 can also be found in Appendix N.

11.3.5 Independent auditor

ORO's independent auditor is KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*"). KPMG AS has been ORO's independent auditor since 2021.

11.4 SPV Deepsea Aberdeen

11.4.1 Corporate information

SPV Deepsea Aberdeen (legal name Odfjell Drilling Shetland Ltd), was incorporated on 23 November 2009 as a private company limited by shares under the laws of Scotland and in accordance with the Companies Act 2006. Deepsea Aberdeen is allocated to and operated via its Dubai registered branch of its UK tax resident company and the branch is headed by a Branch Manager.

SPV Deepsea Aberdeen is the owner of the drilling rig Deepsea Aberdeen, as further described in Section 6.1.1.1.

SPV Deepsea Aberdeen’s registration number is SC368991. SPV Deepsea Aberdeen’s registered office is at Bergen House, Crawpeel Road, Altens, Aberdeen AB12 3LG, United Kingdom.

SPV Deepsea Aberdeen's LEI-code is 529900LAAJW68MQK6W19.

Telephone: +44 (1)224 856000. SPV Deepsea Aberdeen's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.4.2 Share capital

As of the date of this Prospectus, SPV Deepsea Aberdeen's issued share capital consists of 30,001 shares with a nominal value of GBP 1 each. All of the shares are validly issued and fully paid up.

11.4.3 Objects and purposes as they follow from the articles of association

SPV Deepsea Aberdeen's objects and purposes are not explicitly stated in SPV Deepsea Aberdeen's articles of association.

11.4.4 Historical financial information

SPV Deepsea Aberdeen's audited special purpose financial statements for the years ended 31 December 2022 and 31 December 2021 can be found in Appendix O. SPV Deepsea Aberdeen's unaudited interim condensed financial statements for the six month periods ending 30 June 2023 can also be found in Appendix O.

11.4.5 Independent auditor

SPV Deepsea Aberdeen's independent auditor is KPMG LLP, Chartered Accountants with company registration number OC301540 and registered business address 1 Marischal Square, Broad Street, Aberdeen AB10 1DD. KPMG LLP has been the SPV Deepsea Aberdeen's independent auditor since 2021.

The special purpose financial statements referred to in 10.4.2 have been audited by the independent auditors of Odfjell Drilling Ltd, KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*").

11.5 SPV Deepsea Atlantic

11.5.1 Corporate information

SPV Deepsea Atlantic (legal name Deep Sea Atlantic (UK) Ltd, was incorporated on 27 January 2017 as a private company limited by shares under the laws of England and in accordance with the Companies Act 2006. Deepsea Atlantic is allocated to and operated via Dubai its registered branch of its UK tax resident company and the branch is headed by a Branch Manager.

SPV Deepsea Atlantic is the owner of the drilling rig Deepsea Atlantic, as further described in Section 6.1.1.2.

SPV Deepsea Atlantic's registration number is 10589884. SPV Deepsea Atlantic's registered office is at Bergen House, Crawpeel Road, Altens, Aberdeen AB12 3LG, United Kingdom.

SPV Deepsea Atlantic's LEI-code is 5299001I9N6WRFKXX808.

Telephone: +44 (1)224 856000. SPV Deepsea Atlantic's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.5.2 Share capital

As of the date of this Prospectus, SPV Deepsea Atlantic's issued share capital consists of 2 shares with a nominal value of GBP 1 each. All of the issued shares are validly issued and fully paid up.

11.5.3 Objects and purposes as they follow from the articles of association

SPV Deepsea Atlantic's objects and purposes are not explicitly stated in SPV Deepsea Atlantic's articles of association.

11.5.4 Historical financial information

SPV Deepsea Atlantic's audited special purpose financial statements for the years ended 31 December 2022 and 31 December 2021 can be found in Appendix P. SPV Deepsea Atlantic's unaudited interim condensed financial statements for the six month periods ending 30 June 2023 can also be found in Appendix P.

11.5.5 Independent auditor

SPV Deepsea Atlantic's independent auditor is independent auditor is KPMG LLP, Chartered Accountants with company registration number OC301540 and registered business address 1 Marischal Square, Broad Street, Aberdeen AB10 1DD. KPMG LLP has been the SPV Deepsea Atlantic's independent auditor since 2021.

The special purpose financial statements referred to in 10.5.2 have been audited by the independent auditors of Odfjell Drilling Ltd, KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*").

11.6 CharterCo Deepsea Aberdeen

11.6.1 Corporate information

CharterCo Deepsea Aberdeen (legal name Deep Sea Drilling Company AS), was incorporated on 1 July 2020 as a limited liability company under the laws of Norway and in accordance with the Norwegian Companies Act.

CharterCo Deepsea Aberdeen is the charterer of the drilling rig Deepsea Aberdeen, as further described in Section 6.1.1.1.

CharterCo Deepsea Aberdeen's registration number is 925 500 925. CharterCo Deepsea Aberdeen's registered office is at Kokstadflaten 35, 5257 Kokstad, Norway.

CharterCo Deepsea Aberdeen's LEI-code is 529900OCCAQ1W3QN7H64.

Telephone: +47 55 99 89 00. CharterCo Deepsea Aberdeen's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.6.2 Share capital

As of the date of this Prospectus, CharterCo Deepsea Aberdeen's share capital consists of 30,000 shares with a nominal value of NOK 1 each. All of the shares are validly issued and fully paid up.

11.6.3 Objects and purposes as they follow from the articles of association

Pursuant to Section 3 of CharterCo Deepsea Aberdeen's articles of association, CharterCo Deepsea Aberdeen's objective is to carry out the operation and rental of rigs for oil drilling and related activities (translation from Norwegian).

11.6.4 Historical financial information

CharterCo Deepsea Aberdeen's audited financial statements for the years ended 31 December 2022 and 31 December 2021 can be found in Appendix Q. CharterCo Deepsea Aberdeen's unaudited interim condensed financial statements for the six month periods ending 30 June 2023 can also be found in Appendix Q.

11.6.5 Independent auditor

CharterCo Deepsea Aberdeen's independent auditor is KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*"). KPMG AS has been the CharterCo Deepsea Aberdeen's independent auditor since 2021.

11.7 CharterCo Deepsea Atlantic

11.7.1 Corporate information

CharterCo Deepsea Atlantic (legal name Odfjell Invest AS), was incorporated on 14 December 2005 as a limited liability company under the laws of Norway and in accordance with the Norwegian Companies Act.

CharterCo Deepsea Atlantic is the charterer of the drilling rig Deepsea Atlantic, as further described in Section 6.1.1.2.

CharterCo Deepsea Atlantic's registration number is 989 118 765. CharterCo Deepsea Atlantic's registered office is at Kokstadflaten 35, 5257 Kokstad, Norway.

CharterCo Deepsea Atlantic's LEI-code is 529900GXP12CPYCU3U29.

Telephone: +47 55 99 89 00. CharterCo Deepsea Atlantic's website is www.odfjelldrilling.com. The information included on the website does not form part of the Prospectus.

11.7.2 Share capital

As of the date of this Prospectus, CharterCo Deepsea Atlantic's share capital consists of 100 shares with a nominal value of NOK 2,000 each. All of the shares are validly issued and fully paid up.

11.7.3 Objects and purposes as they follow from the articles of association

Pursuant to Section 3 of CharterCo Deepsea Atlantic's articles of association, CharterCo Deepsea Atlantic's objective is to carry out the operation and rental of rigs for oil drilling and related activities (translation from Norwegian).

11.7.4 Historical financial information

CharterCo Deepsea Atlantic's audited financial statements for the years ended 31 December 2022 and 31 December 2021 can be found in Appendix R. CharterCo Deepsea Atlantic's unaudited interim condensed financial statements for the six month periods ending 30 June 2023 can also be found in Appendix R.

11.7.5 Independent auditor

CharterCo Deepsea Atlantic's independent auditor is KPMG AS, with company registration number 935 174 627, and registered business address Sørkedalsveien 6, N-0369 Oslo, Norway. The partners of KPMG AS are members of the Norwegian Institute of Public Accountants (Nw.: "*Den norske Revisorforeningen*"). KPMG AS has been the CharterCo Deepsea Atlantic's independent auditor since 2021.

12 ADDITIONAL INFORMATION

12.1 Advisors

Wikborg Rein Advokatfirma AS, with registration number 916 782 195 and registered address Dronning Mauds gate 11, N-0250 Oslo, Norway, has acted as legal counsel to the Issuer.

Advokatfirmaet Schjødt AS, with registration number 996 918 122 and registered address Tordenskiolds gate 12, 0160 Oslo, Norway, has acted as legal counsel to the Managers.

12.2 Documents available

Copies of the following documents will be available for inspection at the Issuer's offices at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Issuer's Memorandum of Association and Bye-Laws;
- All reports, letters, and other documents, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Prospectus, including any credit ratings; and
- This Prospectus, including the guarantees attached as Appendix B.

The documents are also available at the Issuer's website https://odfjelldrilling.com/. The contents of this website are not incorporated by reference into, or otherwise form part of, this Prospectus.

13 DEFINITIONS AND GLOSSARY

Audited Financial Statements	The audited separate financial statements of the Issuer as of and for the years ended 31 December 2022 and 2021
Bye-Laws	Bye-Laws of the Issuer adopted 27 March 2013 and amended 11 December 2018, attached hereto as Appendix E
Board of Directors or Board Member(s)	The members of the board of directors of the Issuer, or any one of them
Bondholder	A person who is registered in the VPS as directly registered owner or nominee holder of a Bond, subject to clause 3.3 of the Bond Terms (Bondholder's rights)
Bond Issue or the Bond(s)	The issue of the USD 390 million retail bond loan with ISIN NO0012921172
Bond Terms	The bond terms entered into on 30 May 2023 between the Issuer as the issuer, Odfjell Drilling as parent and guarantor, and Nordic Trustee AS as bond trustee on behalf of the Bondholders
CEO	Chief Executive Officer
CET	Central European Time
CEST	Central European Summer Time
CFO	Chief Financial Officer
CharterCo Deepsea Aberdeen	Deep Sea Drilling Company AS
CharterCo Deepsea Atlantic	Odfjell Invest AS
E&P	Exploration and production
EEA	The European Economic Area
EU	The European Union
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as implemented in Norway
EUR	The lawful currency of the European Union
Financial Information	The Issuer's Audited Financial Statements, the Unaudited Interim Report and the respective Guarantor Financial Statements, collectively
GBP	The lawful currency of the UK
Group or Group Company	The Issuer, the Issuer's direct and indirect controlling entities and their consolidated subsidiaries, or any one of them
Guarantors or Guarantor	Each Restricted Group Company, with the meaning ascribed to such item in the Bond Terms, see Section 5.2
Guarantor Financial Statements	The audited financial statements of each Guarantor as of and for the years ended 31 December 2022 and 2021, and the unaudited interim reports/unaudited interim condensed financial statements of each Guarantor for the six-month period ended 30 June 2023, collectively
IFRS	International Financial Reporting Standards and in accordance with interpretations determined by the International Accounting Standards Board (IASB) as adopted by the EU
Issuer	Odfjell Rig III Ltd.
IT	Information technology
LEI	Legal Entity Identifier
Listing	The listing of the Bonds on the Oslo Stock Exchange
Management	The members of the Issuer's executive management
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFIR	Regulation (EU) No. 600/2014 on markets in financial instruments, as amended
MODU	Mobile offshore drilling unit
Net Financial Debt	Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents. Net financial debt do not include lease liabilities
NOK	The lawful currency of Norway
Norwegian FSA	The Financial Supervisory Authority of Norway (Nw.: Finanstilsynet)
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (Nw.: verdipapirhandelloven
ODCC	Odfjell Drilling and Consulting Company A/S

Odfjell Drilling	Odfjell Drilling Ltd.
ORO	Odfjell Rig Owning Ltd
Oslo Stock Exchange	A Norwegian regulated market being part of Euronext and operated by Oslo Børs ASA
Priced Options	Options for the use of a rig with a pre-agreed price
Prospectus	This prospectus dated 23 October 2023
Regulated Market	A market for financial instruments within the scope of Article 4(1)(21) of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
SPS	Special period survey
SPV Deepsea Aberdeen	Odfjell Drilling Shetland Limited
SPV Deepsea Atlantic	Deep Sea Atlantic (UK) Limited
UDW	Ultra-deepwater
Unaudited Interim Report	The unaudited condensed consolidated interim report of the Issuer for the three- and six-month periods ending 30 June 2023
Un-priced Options	Options for the use of a rig which does not have a pre-agreed price
USD	The lawful currency of the United States
VPS	The central securities depository at Euronext Securities Oslo (Nw.: *Verdipapirsentralen*)
QHSE	Quality, health, safety and environment

Odfjell Rig III Ltd.
Clarendon House 2
Church Street
Hamilton HM11,
Bermuda

Global coordinator

DNB Markets, a part of DNB Bank ASA
Dronning Eufemias gate 30
N-0191 Oslo
Norway

Joint lead managers

Danske Bank, Norwegian Branch
Bryggetorget 4
N-0250 Oslo
Norway

SpareBank 1 Markets AS
Olav Vs gate 5
N-0161 Oslo
Norway

ABG Sundal Collier ASA
Ruseløkkveien 25
N-0251 Oslo
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Appendix A – The Bond Terms

BOND TERMS

FOR

Odfjell Rig III Ltd. 9.25% Senior Secured USD 390,000,000 Callable Bonds 2023/2028

ISIN NO0012921172

Contents

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Innhold

BOND TERMS between	
ISSUER:	Odfjell Rig III Ltd., a company existing under the laws of Bermuda with registration number 45961 and LEI-code number 529900JX0H45QUN1EC58;
PARENT AND GUARANTOR:	Odfjell Drilling Ltd, a company registered under the laws of Bermuda with registration number 37607 and LEI number 529900M08ZU24JXMPB85; and
BOND TRUSTEE:	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85.
DATED:	30 May 2023
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

1. INTERPRETATION

1.1 Definitions

The following terms will have the following meanings:

"**Acceptable Bank**" means:

(a) any Nordic banking institution; or

(b) any other bank having a credit rating of A- or better.

"**Accounting Standard**" means GAAP.

"**Affiliate**" means, in relation to any person:

(a) any person which is a Subsidiary of that person;

(b) any person with Decisive Influence over that person (directly or indirectly); and

(c) any person which is a Subsidiary of an entity with Decisive Influence over that person (directly or indirectly).

"**Annual Financial Statements**" means the audited consolidated annual financial statements of the Issuer and the Parent for any financial year, prepared in accordance with the Accounting Standard and in the English language, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

"**Approved Broker**" means each of Fearnley Offshore, Arctic Offshore, Pareto Offshore, Clarksons Offshore and/or any other rig broker approved by the Bond Trustee, in its sole discretion.

"**Approved Classification Society**" means (i) ABS, DNV, Bureau Veritas, Lloyd's Register of Shipping, (ii) a classification society that is full member of the International Association of Classification Societies (IACS) and/or (iii) another classification society reasonably acceptable to the Bond Trustee.

"**Approved Flag State**" means each of Norway, United Kingdom, Singapore, Marshall Islands, Cyprus, UAE, Malta, Bermuda and any other OECD member country.

"**Approved Jurisdiction**" means each of Norway, United Kingdom, Singapore, Marshall Islands, Cyprus, UAE, Malta, Bermuda and any other OECD member country.

"**Attachment**" means any schedule, appendix or other attachment to these Bond Terms.

"**Bond Currency**" means the currency in which the Bonds are denominated, as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Bond Terms**" means these terms and conditions, including all Attachments which form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

"**Bond Trustee**" means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

"**Bond Trustee Fee Agreement**" means the agreement entered into between the Issuer and the Bond Trustee relating, among other things, to the fees to be paid by the Issuer to the Bond Trustee for the services provided by the Bond Trustee relating to the Bonds.

"**Bondholder**" means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders' rights*).

"**Bondholders' Meeting**" means a meeting of Bondholders as set out in Clause 17 (*Bondholders' Decisions*).

"**Bonds**" means (i) the debt instruments issued by the Issuer pursuant to these Bond Terms and (ii) any overdue and unpaid principal which has been issued under a separate ISIN in accordance with the regulations of the CSD from time to time.

"**Business Day**" means a day on which both the relevant CSD settlement system is open, and the relevant settlement system for the Bond Currency is open.

"**Business Day Convention**" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.

"**Call Option**" has the meaning ascribed to such term in Clause 10.1(a) (*Voluntary early redemption – Call Option*).

"**Call Option Repayment Date**" means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.1(a) (*Voluntary early redemption – Call Option*), paragraph (d) of Clause 10.3 (*Mandatory repurchase due to a Put Option Event*) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Cash and Cash Equivalents**" means, at any date, the aggregate amount of freely available cash and cash equivalents of the Group, in each case reported in accordance with the Accounting Standard, including without limitation:

(a) cash in hand or on freely available deposit with any bank or financial institution;

(b) certificates of deposits or marketable debt securities (included money market funds) with a maturity of twelve (12) months or less after the relevant date of calculation, issued by an arranger or a financial institution which has a rating for its long term unsecured and non-credit enhanced debt obligations with A or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A2 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or

(c) any other instrument, Security or investment approved in writing by the Bond Trustee, and in each case, to which any of the Obligors is beneficially entitled at that time and which can be promptly realised and applied against redemption of the Bonds.

"**Change of Control Event**" means an event where any person or group of persons acting in concert, other than the Odfjell Family, gains Decisive Influence over the Parent.

"**Charter Companies**" means each of:

(a) Deep Sea Drilling Company AS, a company incorporated under the laws of Norway or any of its successors, being a single purpose company and the company holding the Charter Contracts for Deepsea Aberdeen; and

(b) Odfjell Invest AS, a company incorporated under the laws of Norway or any of its successors, being a single purpose company and the company holding the Charter Contracts for Deepsea Atlantic.

"**Charter Contracts**" means:

(a) the drilling contract for utilisation of Deepsea Atlantic between Equinor Energy AS and Odfjell Invest AS dated 20 November 2020, as amended from time to time;

(b) the drilling contract for utilisation of Deepsea Aberdeen between Equinor Energy AS and Deep Sea Drilling Company AS dated 20 November 2020, as amended from time to time; and

(c) any other employment contracts for any of the Collateral Rigs for employment with any third party not being a member of the Restricted Group.

"**Closing Procedure**" means a closing procedure for the release of funds from the issuance of the Bonds or the Escrow Account, in each case agreed between the Bond Trustee (in consultation with its advisors) and the Issuer, and, if applicable, existing creditors of the Group.

"**Collateral Rigs**" means of the harsh environment semi-submersible drilling rigs named Deepsea Aberdeen ("**Deepsea Aberdeen**") and Deepsea Atlantic ("**Deepsea Atlantic**") (each a "**Collateral Rig**").

"**Compliance Certificate**" means a statement substantially in the form as set out in Attachment 1 hereto.

"**CSD**" means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

"**Current Assets**" means the aggregate value of assets of the Group which are treated as current assets in accordance with the Accounting Standard.

"**Current Liabilities**"" means the aggregate amount of liabilities of the Group which are treated as current liabilities in accordance with the Accounting Standard, but excluding:

(a) the short term portion of long term debt;

(b) any balloon payments; and

(c) liabilities related to drilling rigs/vessels under construction.

"**Current Ratio**" means the ratio of Current Assets to Current Liabilities.

"**Decisive Influence**" means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

(a) a majority of the voting rights in that other person; or

(b) a right to elect or remove a majority of the members of the board of directors of that other person.

"**Default Notice**" has the meaning ascribed to such term in Clause 16.2 (*Acceleration of the Bonds*).

"**Default Repayment Date**" means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

"**Delisting Event**" means that the Parent's shares ceases to be listed on Oslo Stock Exchange.

"**Distribution**" means, in respect of the relevant entity:

(a) any declaration, making or payment of any dividend or other distribution on or in respect of any of its shares;

(b) any redemption, repurchase, defeasance, retirement or repayment of its share capital; and

(c) any prepayment or repayment of any Subordinated Loan or any payment of any interest, fee, charge or premium accrued in respect thereof (other than through adding such amounts to the principal amount).

"**Earnings**" means all moneys whatsoever which are now, or later become, payable (actually or contingently) to a Group Company and which arise out of the use of or operation of a Collateral Rig, including (but not limited to):

(d) all freight, hire and passage moneys payable to an Obligor or a Rig Manager, including (without limitation) payments of any nature under any charter or agreement for the employment, use, possession, or operation of any of the Collateral Rigs (other than management fees payable to any Rig Manager);

(e) any claim under any guarantees related to freight and hire payable to an Obligor or a Rig Manager as a consequence of the operation of a Collateral Rig;

(f) compensation payable to an Obligor or a Rig Manager in the event of any requisition of a Collateral Rig or for the use of a Collateral Rig by any government authority or other competent authority;

(g) remuneration for salvage, towage and other services performed by a Collateral Rig payable to an Obligor or a Rig Manager;

(h) demurrage, detention and retention money receivable by an Obligor or a Rig Manager in relation to any of the Collateral Rigs;

(i) all moneys which are at any time payable under the Insurances in respect of loss of earnings;

(j) all present and future moneys and claims payable to an Obligor or a Rig Manager in respect of any breach or variation of any charterparty or contract of affreightment in respect of any of the Collateral Rigs;

(k) if and whenever a Collateral Rig is employed on terms whereby any moneys falling within paragraphs (i) to (vii) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to the Collateral Rigs; and

(l) any other money whatsoever due or to become due to an Obligor or Rig Manager from third parties in relation to any of the Collateral Rigs, or otherwise,

provided however that income related to service contracts which only fulfil a local requirement in certain jurisdictions and which generate immaterial net profits in the context of the Bond Issue shall not be included.

"**Earnings Accounts**" means the accounts established by any Restricted Group Company with an Acceptable Bank into which the Issuer shall procure that all Earnings from the Collateral Rigs shall be deposited. The Earnings Accounts shall be pledged in favour of the Bond Trustee (on behalf of the Bondholders), but not blocked unless an Event of Default has occurred and is continuing.

"**EBITDA**" means, in respect of any Relevant Period, the consolidated operating profit of the Group according to the latest Financial Report(s):

(a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

(b) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any Group Company (calculated on a consolidated basis) in respect of that Relevant Period;

(c) not including any interest receivable or accruing in favour of any Group Company;

(d) excluding any Transaction Costs;

(e) excluding any items (positive or negative) of a one off, non-recurring, extraordinary, unusual or exceptional nature not exceeding 10 per cent. of EBITDA for any Relevant Period;

(f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis);

(g) excluding the charge to profit represented by the expensing of stock options and costs and provisions relating to share incentive schemes of the Group or other long-term management incentive programs;

(h) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

(i) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

(j) after adding back or deducting, as the case may be, the Group's share of the profits or losses of entities which are not part of the Group;

(k) after adding back any losses to the extent covered by any insurance;

(l) after deducting any lease payments made by a Group Company in respect of any lease or hire purchase contract which would have been treated as an operating lease for accounting purposes in accordance with IFRS as applicable on 31 December 2018; and

(m) after adding back any amount attributable to the amortisation, depreciation or depletion of assets of members of the Group

"**Equity**" means the consolidated book equity of the Parent in accordance with the Accounting Standard, always provided that the amount of any Subordinated Loan may be included as equity.

"**Equity Ratio**" means the ratio of Equity to Total Assets.

"**Escrow Account**" means an account with DNB Bank ASA in the name of the Issuer, blocked and pledged on first priority as security for the Issuer's obligations under the Finance Documents.

"**Escrow Account Pledge**" means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means any of the events or circumstances specified in Clause 16.1 (*Events of Default*).

"**Exchange**" means:

(a) Oslo Børs (the Oslo Stock Exchange); or

(b) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and Regulation (EU) No. 600/2014 on markets in financial instruments (MiFIR).

"**Existing Debt**" means:

(a) the senior and junior secured credit facility agreements between Odfjell Invest Ltd as borrower and DNB Bank ASA as facility agent on behalf of other lenders, both dated 26 June 2019; and

(b) the term loan facilities agreement between the Issuer as borrower and DNB Bank ASA as facility agent on behalf of other lenders dated 7 May 2013 and as later amended.

"**Finance Documents**" means these Bond Terms, the Bond Trustee Fee Agreement, any Transaction Security Document, and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

"**Finance Lease**" means any lease or hire purchase contract, a liability under which would, in accordance with the Accounting Standard, be treated as a balance sheet liability (other than a lease or hire purchase contract which would, in accordance with the Accounting Standard in force on 31 December 2018, have been treated as an operating lease).

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed (and debit balances at banks or other financial institutions);

(b) any acceptance under any acceptance credit or bill discounting facility or dematerialised equivalent;

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any Finance Lease;

(e) receivables sold or discounted other than any receivables to the extent they are sold on a non-recourse basis;

(f) any hedge (and, when calculating the value of that hedge, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that hedge, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of Financial Indebtedness;

(h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) at any time prior to all present and future obligations and liabilities of the Obligors under the Finance Documents having been discharged in full or are otherwise classified as borrowings under the Accounting Standard);

(i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (b) the agreement is in respect of the supply of assets or services and payment is due more than 180 calendar days after the date of supply;

(j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Standard; and

(k) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above.

"**Financial Reports**" means the Annual Financial Statements and the Interim Accounts.

"**Financial Support**" means loans, guarantees, hedging, credits, indemnities, equity injections or equity contributions, or other similar form of credit or financial support.

"**First Call Date**" means the Interest Payment Date falling on 30 November 2025.

"**Free Liquidity**" means, at any given time, the aggregate amount of:

(a) Cash and Cash Equivalents; and

(b) undrawn and available amounts under revolving credit facilities (with more than 6 months to maturity), as per the relevant Quarter Date.

"**GAAP**" means generally accepted accounting practices and principles in the country in which the Issuer or the Parent (as the case may be) is incorporated including, if applicable, IFRS.

"**Global Coordinator**" means DNB Markets, a part of DNB Bank ASA.

"**Group**" means the Parent and its Subsidiaries from time to time.

"**Group Company**" means any person which is a member of the Group.

"**Guarantee**" means the unconditional Norwegian law guarantee and indemnity (Norwegian: "*selvskyldnerkausjon*"):

(a) set out in Clause 12 (*Guarantee*) these Bond Terms; and

(b) issued separately by each Guarantor other than the Parent, in respect of the Secured Obligations.

"**Guarantors**" means the Parent, the MidCo, the Rig Owners, the Charter Companies and any other company that is or becomes a Restricted Group Company.

"**IFRS**" means the International Financial Reporting Standards and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof) in force from time to time and to the extent applicable to the relevant financial statement.

"**Initial Nominal Amount**" means the Nominal Amount of each Bond on the Issue Date as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Insolvent**" means that a person:

(a) is unable or admits inability to pay its debts as they fall due;

(b) suspends making payments on any of its debts generally; or

(c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its centre of main interest as such term is understood pursuant to Regulation (EU) 2015/848 on insolvency proceedings (as amended from time to time).

"**Insurances**" means all the insurance and re-insurance policies and contracts of insurance or re-insurance which are from time to time in place or taken out or entered into by or for the benefit of any Group Company (whether in the sole name of the Group Company or in the joint names of any Group Companies and any other person) in respect of the Collateral Rigs or otherwise in connection with the Collateral Rigs and all benefits thereunder (including claims of whatsoever nature and return of premiums)

"**Intercompany Loans**" means any loan provided by a Group Company to a Restricted Group Company (i) with a principal amount in excess of USD 5,000,000 (or the equivalent in other currencies at the date of establishment or increase of such loan), and (ii) with a term or actual duration of more than 12 months, and provided that first priority Security in the form of an assignment over any monetary claims in respect of any such loan shall be granted in favour of the Bond Trustee where required pursuant to Clause 2.5 (*Transaction Security*).

"**Interest Payment Date**" means the last day of each Interest Period, the first Interest Payment Date being 30 November 2023 (six (6) months after the Issue Date) and the last Interest Payment Date being the Maturity Date.

"**Interest Period**" means, subject to adjustment in accordance with the Business Day Convention, the period between 31 May and 30 November each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

"**Interest Rate**" means nine point two five percentage points (9.25%) per annum.

"**Interim Accounts**" means the unaudited consolidated quarterly financial statements of the Issuer and the Parent for the quarterly period ending on 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with the Accounting Standard and in the

English language, such financial statements to include a profit and loss account, balance sheet, cash flow statement and management commentary by the Issuer.

"**ISIN**" means International Securities Identification Number.

"**Issue Amount**" means USD 390,000,000.

"**Issue Date**" means 31 May 2023.

"**Issue Price**" means 100% of the Nominal Amount.

"**Issuer**" means the company designated as such in the preamble to these Bond Terms.

"**Issuer's Bonds**" means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

"**Listing Failure Event**" means:

(a) that the Bonds have not been admitted to listing on an Exchange within 6 months following the Issue Date; or

(b) in the case of a successful admission to listing, that a period of 6 months has elapsed since the Bonds ceased to be admitted to listing on an Exchange.

"**Leverage Ratio**" means the ratio of Net Interest Bearing Debt to EBITDA calculated on a twelve-month rolling basis. EBITDA and Net Interest Bearing Debt related to a newbuilding or fleet addition of a drilling rig/vessel may be disregarded until up to six (6) months from the delivery date for such unit. From inclusion, actual EBITDA from the commencement date of any firm employment contract for such drilling rig/vessel shall be annualised until a full twelve month earnings history related to that newbuilding or other fleet addition has been achieved. If, from inclusion, no firm employment contract has commenced, but the relevant unit has a firm contract, of at least 12 months duration, that starts within six (6) months thereafter, then EBITDA on such employment contract shall be included for the full Relevant Period, on a pro-forma basis.

"**Longstop Date**" means the date falling three (3) months from the Issue Date.

"**Longstop Date Event**" means an event where the conditions precedent set out in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have not been fulfilled within the Longstop Date.

"**Make Whole Amount**" means an amount equal to the sum of the present value on the Call Option Repayment Date of:

(a) the Nominal Amount of the redeemed Bonds at the price as set out in paragraph (a)(ii) of Clause 10.2 (*Voluntary early redemption – Call Option*) as if such payment originally had taken place on the First Call Date; and

(b) the remaining interest payments of the redeemed Bonds (less any accrued and unpaid interest on the redeemed Bonds as at the Call Option Repayment Date) to the First Call Date, where the present value shall be calculated by using a discount rate of 4.319% per annum.

"**Managers**" means:

(a) Danske Bank, Norwegian branch, SpareBank 1 Markets AS, ABG Sundal Collier ASA and Fearnley Securities AS (each a joint lead manager); and

(b) the Global Coordinator,

(each a "**Manager**").

"**Mandatory Redemption Event**" means:

(a) a Longstop Date Event;

(b) a Partial Release Event;

(c) a Prepayment Event; or

(d) a Total Loss Event.

"**Mandatory Redemption Repayment Date**" means the settlement date for the Mandatory Redemption Event pursuant to Clause 10.5 (*Mandatory early redemption due to a Mandatory Redemption Event*).

"**Market Value**" means the fair market value of the Collateral Rigs determined as the arithmetic mean of independent valuations of the Collateral Rigs obtained from two Approved Brokers. Such valuation shall be made on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms between a willing seller and a willing buyer, on an "as is where is" basis, free of any existing charters or other contracts for employment. The cost of such determination shall be for the account of the Issuer and such determinations shall be made annually.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the ability of the Obligors taken as a whole to perform and comply with their payment obligations under any Finance Document; or

(b) the validity or enforceability of the Transaction Security Documents and Guarantees taken as a whole which is (i) materially prejudicial to the interests of the Bondholders taken as a whole under the Finance Documents, and (ii) if capable of remedy, is not remedied within any relevant remedy provision under the Bond Terms.

"**Maturity Date**" means 31 May 2028, adjusted according to the Business Day Convention.

"**MidCo**" means Odfjell Rig Owning Ltd., a company incorporated under the laws of Bermuda with registration number 50982 and the 100% owner of the Issuer.

"**Net Interest Bearing Debt**" means at the relevant time, the aggregate amount of all obligations of the Group Companies, determined on a consolidated basis, for or in respect of interest bearing Financial Indebtedness but:

(a) excluding any such obligations to any other Group Company;

(b) excluding any such obligations in respect of any Subordinated Loan;

(c) excluding any Bonds held by the Group;

(d) excluding any indebtedness in respect of any derivative transaction;

(e) including, in the case of any lease contracts that are Financial Indebtedness, their capitalised value; and

(f) deducting the aggregate amount of Cash and Cash Equivalents,

and so that no amount shall be included or excluded more than once.

"**Net Proceeds**" means the proceeds from the issuance of the Bonds (net of fees and legal cost of the Managers and, if required by the Bond Trustee, the Bond Trustee fee, and any other cost and expenses incurred in connection with the issuance of the Bonds)

"**Nominal Amount**" means the nominal value of each Bond at any time. The Nominal Amount may be amended pursuant to paragraph (j) of Clause 18.2 (*The duties and authority of the Bond Trustee*).

"**Obligor**" means the Issuer and any Guarantor.

"**Odfjell Family**" means Helene Odfjell, her immediate family and heirs, direct descendants, any trust established for the benefit of any such person or any entity controlled directly or indirectly by any such person.

"**Outstanding Bonds**" means any Bonds not redeemed or otherwise discharged.

"**Overdue Amount**" means any amount required to be paid by an Obligor under the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

"**Parent**" means the company designated as such in the preamble to these Bond Terms.

"**Partial Payment**" means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

"**Partial Release Event**" means an event where on the Longstop Date release of Net Proceeds from the issuance of the Bonds from the Escrow Account have taken place in relation to only one (1) of the Collateral Rigs.

"**Paying Agent**" means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

"**Payment Date**" means any Interest Payment Date or any Repayment Date.

"**Permitted Disposal**" means:

(a) any disposal of goods or services in the ordinary course of trading;

(b) any disposal of obsolete or redundant assets;

(c) any disposal made under any supply chain financing or invoice discounting arrangements of the Group; and

(d) any disposal of any asset which constitutes a Mandatory Prepayment Event provided that the Mandatory Prepayment is complied with.

"**Permitted Distribution**" means any Distribution provided that:

(a) no Event of Default has occurred;

(b) the Leverage Ratio on a pro-forma basis (taking into account any such Distribution) will (i) if prior to the First Call Date be less than 3.0:1 immediately following the Distribution, and (ii) if after the First Call Date, be less than 2.0:1 immediately following the Distribution, and in each case the Parent provides evidence and supporting documentation of the same to the Bond Trustee prior to making the Distribution, and

(c) the Group, on a pro-forma basis (taking into account any such Distribution) has Total Liquidity of no less than USD 100,000,000, provided that for any Distribution made prior to the completion of the next 5-year special periodical survey for each of the Collateral Rigs and each of the rigs Deepsea Nordkapp and Deepsea Stavanger after the Issue Date, Total Liquidity shall be no less than USD 150,000,000.

"**Permitted Financial Indebtedness**" means Financial Indebtedness:

(a) incurred under the Finance Documents;

(b) arising under any Intercompany Loans or any other loan or credit between Group Companies;

(c) provided by any charterer of a Collateral Rig (or its affiliates), to fund capital expenditures made by the Restricted Group resulting from requirements under the drilling contract for the Collateral Rig;

(d) arising under any Finance Lease in the ordinary course of business, including for mooring lines, anchors, continuous circulation systems, drill pipes and other lose drilling equipment;

(e) arising under hedging transactions of currency or interest rate in the ordinary course of business, and not being made for investment or speculative purposes; and

(f) arising under any future bid-, payment- and performance bonds, guarantees and letters of credit incurred by any Group Company in the ordinary course of business and guarantees issued to release tax retention amounts to improve liquidity..

"**Permitted Guarantee**" means:

(a) any Guarantee or indemnity granted under the Finance Documents;

(b) granted in respect of any hedging obligation;

(c) granted by a Restricted Group Company to or for the benefit of any other Restricted Group Company;

(d) for the benefit of third parties in the ordinary course of trading and operation of the Collateral Rigs; and

(e) not otherwise permitted by the preceding paragraphs so long as the aggregate amount of the guaranteed liabilities does not exceed USD 15,000,000 (or its equivalent in other currencies) at any time,

provided (in any event) that the Restricted Group Companies can only grant guarantees for or on behalf of Restricted Group Companies.

"**Permitted Loan**" means:

(a) any trade credit extended by any Restricted Group Company on normal commercial terms and in the ordinary course of trading;

(b) arising out of any Intercompany Loan or any other loan or credit between Group Companies;

(c) Financial Indebtedness which is referred to in the definition of, or otherwise constitutes Permitted Financial Indebtedness; and

(d) not otherwise permitted by the preceding paragraphs so long as the aggregate amount of the Financial Indebtedness under any such loans does not exceed USD 15,000,000 (or its equivalent in other currencies) at any time.

"**Permitted Security**" means any Security:

(a) created under the Transaction Security Documents or otherwise created under the Finance Documents;

(b) created for any Financial Indebtedness permitted under paragraph (e) and (f) of the definition of Permitted Financial Indebtedness;

(c) arising by operation of law or in the ordinary course of trading; and

(d) not otherwise permitted by the preceding paragraphs and in respect of Security over assets not subject to or contemplated to be subject to the Transaction Security so long as the aggregate amount of the Security does not exceed USD 15,000,000 (or its equivalent in other currencies) at any time.

"**Prepayment Event**" means an event where a Collateral Rig is sold or disposed of to a company not being a Restricted Group Company through a direct or indirect disposal of a Collateral Rig or any shares in a Rig Owner.

"**Put Option**" has the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Put Option Event**" means a Change of Control Event or a Delisting Event.

"**Put Option Repayment Date**" means the settlement date for the Put Option pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Quarter Date**" means each 31 March, 30 June, 30 September and 31 December.

"**Quiet Enjoyment Letter**" means any quiet enjoyment letter agreement, mortgagee's undertaking or similar arrangement required by any charterer to be entered into by or between the Bond Trustee (on behalf on the Bondholders), the relevant Obligor in relation to any of the Collateral Rigs and the relevant charterer, if required by the charterer, which provides that the Bond Trustee shall not interfere with the free and undisturbed use by the end-user of any of the Collateral Rigs and not exercise any rights as mortgagee provided that the end-user is not in material breach of any of its payment obligations under the relevant drilling contract or as otherwise acceptable to the Bond Trustee.

"**Relevant Jurisdiction**" means the country in which the Bonds are issued, being Norway.

"**Relevant Period**" means each period of 12 consecutive calendar months ending on the last date of the period covered by the most recent Financial Report.

"**Relevant Record Date**" means the date on which a Bondholder's ownership of Bonds shall be recorded in the CSD as follows:

(a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time; or

(b) for the purpose of casting a vote with regard to Clause 17 (*Bondholders' Decisions*), the date falling on the immediate preceding Business Day to the date of that Bondholders' decision being made, or another date as accepted by the Bond Trustee.

"**Repayment Date**" means any date for payment of instalments in accordance with Clause 10.1 (*Redemption of Bonds*), any Call Option Repayment Date, any Mandatory Redemption Repayment Date, the Default Repayment Date, any Put Option Repayment Date, the Tax Event Repayment Date or the Maturity Date.

"**Restricted Group**" means Issuer and its Subsidiaries from time to time.

"**Rig Manager**" means a Subsidiary of the Parent or any third party conducting commercial and technical management of any of the Collateral Rigs.

"**Rig Managers' Undertakings**" means, in respect of a Collateral Rig, undertaking from the relevant Rig Manager in favour of the Bond Trustee (on behalf of the Bondholders) pursuant to which the relevant Rig Manager will undertake:

(a) to manage the relevant Collateral Rig in accordance with the management agreement;

(b) to subordinate, at all times, all rights, claims or liens they may have against the relevant Collateral Rig or any Obligor to the Secured Obligations (save for:

    (i) in respect of any third party Rig Manager, a carve-out for payment of in total 2 months' of management fees,

(ii) ordinary payments for goods and services under the relevant management contract and

(iii) with respect to any future management fees in the event that (and from the time) the Bond Trustee has taken enforcement action under the Finance Documents and has not terminated the management agreement in relation to such enforcement); and

(c) in respect of any Rig Manager which is a member of the Group, not to terminate or amend in any material respect the management agreements without the prior written consent of the Bond Trustee if such amendment or termination could otherwise have a Material Adverse Effect. The Rig Managers' Undertaking shall also include unilateral step-in right and termination right for the Bond Trustee, and otherwise be in form and substance satisfactory to the Bond Trustee, however so that in respect of any Rig Managers' Undertaking provided by a third party Rig Manager such Rig Manager's Undertaking shall be consistent with, and not give the Bond Trustee (on behalf of the Bondholders) any further rights than what follows from, that third party Rig Manager's management agreement, standard terms or general market practice.

"**Rig Owners**" means each of:

(a) Odfjell Drilling Shetland Ltd, a company incorporated under the laws of Scotland or any of its successors, being a single purpose company and the 100% owner of Deepsea Aberdeen; and

(b) Deep Sea Atlantic (UK) Ltd, a company incorporated under the laws of England or any of its successors, being a single purpose company and the 100% owner of Deepsea Atlantic.

"**Secured Obligations**" means all present and future liabilities and obligations of the Obligors to any of the Secured Parties under the Finance Documents.

"**Secured Parties**" means the Security Agent and the Bond Trustee on behalf of itself and the Bondholders.

"**Securities Trading Act**" means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Agent**" means the Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

"**Security Agent Agreement**" means any agreement other than these Bond Terms whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

"**Security Provider**" means any person granting Transaction Security.

"**Subordinated Loan**" means any loan granted or to be granted to the Parent subject to a subordination statement (to the Bond Trustee) to ensure that (i) such loan is fully subordinated to the Bonds and (ii) that any payment in respect of such loan in cash shall be subject to all present and future obligations and liabilities of the Obligors under the Finance Documents having been discharged in full, other than in case of a Permitted Distribution.

"**Subsidiary**" means a person over which another person has Decisive Influence.

"**Summons**" means the call for a Bondholders' Meeting or a Written Resolution as the case may be.

"**Tax Event Repayment Date**" means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

"**Total Assets**" means the consolidated total assets of the Parent in accordance with the Accounting Standard.

"**Total Liquidity**" means, at any given time, the aggregate amount of (i) Cash and Cash Equivalents (including restricted cash), and (ii) undrawn and available amounts under revolving credit facilities (with more than 6 months to maturity) of the Group, as per the relevant Quarter Date.

"**Total Loss Event**" means an event where there is an actual or constructive total loss of a Collateral Rig.

"**Transaction Costs**" means all fees, costs and expenses and taxes incurred by any member of the Group in connection with the issue of the Bonds, any other financing transaction, the listing of any bonds and any future acquisitions (whether successfully completed or discontinued).

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*).

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds.

"**Written Resolution**" means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 17.5 (*Written Resolutions*).

1.2 Construction

In these Bond Terms, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number will include the plural and vice versa;

(c) references to Clauses are references to the Clauses of these Bond Terms;

(d) references to a time are references to Central European Time unless otherwise stated;

(e) references to a provision of "**law**" are a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(f) references to a "**regulation**" includes any regulation, rule, official directive, request or guideline by any official body;

(g) references to a "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

(h) references to Bonds being "**redeemed**" means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;

(i) references to Bonds being "**purchased**" or "**repurchased**" by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer's purchase of Bonds*);

(j) references to persons "**acting in concert**" shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and

(k) an Event of Default is "**continuing**" if it has not been remedied or waived.

2. THE BONDS

2.1 Amount, denomination and ISIN of the Bonds

(a) The Issuer has resolved to issue a series of Bonds in the amount of up to USD 390,000,000.

(b) The Bonds are denominated in US Dollars (USD), being the legal currency of the United States of America.

(c) The Initial Nominal Amount of each Bond is USD 1.

(d) The ISIN of the Bonds is set out on the front page. These Bond Terms apply with identical terms and conditions to (i) all Bonds issued under this ISIN and (ii) any Overdue Amounts issued under one or more separate ISIN in accordance with the regulations of the CSD from time to time.

(e) Holders of Overdue Amounts related to interest claims will not have any other rights under these Bond Terms than their claim for payment of such interest claim which claim shall be subject to paragraph (b) of Clause 17.1 (*Authority of the Bondholders' Meeting*).

2.2 Tenor of the Bonds

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

2.3 Use of proceeds

The Issuer will use the Net Proceeds from the issuance of the Bonds for:

(a) Refinancing of the Existing Debt; and

(b) the general corporate purposes of the Group.

2.4 Status of the Bonds

The Bonds shall constitute senior debt obligations of the Issuer. The Bonds will rank pari passu between themselves and at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

2.5 Transaction Security

(a) As Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent on behalf of the Secured Parties with, subject to liens arising by operation of law and any mandatory limitations arising under any applicable law, first priority within the times agreed in Clause 6 (*Conditions for Disbursement*):

(i) the Escrow Account Pledge;

(ii) the Guarantee;

(iii) first priority pledge over all of the shares owned by the Group in each Restricted Group Company;

(iv) first priority mortgage over each of the Collateral Rigs including all relevant equipment owned by the Rig Owners and being legally part of each of the Collateral Rigs under applicable law (including any declaration of pledge or deed of covenants supplemental to the Mortgage and to the security created under it in favour of the Bond Trustee), subject any applicable Quiet Enjoyment Letter;

(v) first priority assignment of all Earnings payable to a Group Company, subject to any Charter Contract and any applicable Quiet Enjoyment Letter;

(vi) assignment of any internal Bareboat Charter Contracts for the Collateral Rigs;

(vii) first priority assignment over any monetary claims any Restricted Group Company has against any Group Company;

(viii) first priority assignment of any Intercompany Loans;

(ix) first priority pledge over the Earnings Accounts;

(x) first priority floating charge or similar security created by each Restricted Group Company (if permitted in the relevant jurisdiction) and if relevant subject any applicable Quiet Enjoyment Letter;

(xi) first priority assignment of all Insurances related to each of the Collateral Rigs payable to the Rig Owners and/or any Restricted Group Company; and

(xii) each of the Rig Manager's Undertakings.

(b) Any share pledge in respect of the shares of any company incorporated in Scotland shall be subject to delayed perfection (meaning that the title to those shares will not be transferred to the Bond Trustee or its nominee) such that perfection is only required upon notice being given from the Bond Trustee to the relevant pledgor.

(c) The Transaction Security shall be entered into on such terms and conditions as the Security Agent and the Bond Trustee in its discretion deems appropriate in order to create the intended benefit for the Secured Parties under the relevant document.

(d) The Security Agent is irrevocably authorised to release any Guarantees and Transaction Security:

(i) over assets which are sold or otherwise disposed of (directly or indirectly) in any merger, de-merger or disposal permitted in compliance with Clauses 14.8 (*Mergers and de-mergers*) or Clause 14.11 (*Disposals*); and

(ii) in relation to any changes of any Rig Owner, Charter Companies or Rig Manager, or any other structural changes in respect of the operation or ownership of any of the Collateral Rigs permitted in compliance with Clause 15.8 (*Management*) and Clause 15.10 (*Ownership of the Collateral Rigs*),

always provided that any new replacement Transaction Security is (where required) granted in favour of the Bond Trustee (on behalf of the Bondholders).

3. THE BONDHOLDERS

3.1 Bond Terms binding on all Bondholders

(a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.

(b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

3.2 Limitation of rights of action

(a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures or take other legal action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.

(b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

3.3 Bondholders' rights

(a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.

(b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

4. ADMISSION TO LISTING

The Issuer shall use its reasonable endeavours to ensure that the Bonds are listed on an Exchange within six (6) months of the Issue Date and thereafter remain listed on an Exchange until the Bonds have been redeemed in full.

5. REGISTRATION OF THE BONDS

5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

6. CONDITIONS FOR DISBURSEMENT

6.1 Conditions precedent for disbursement to the Issuer

(a) Payment of the Net Proceeds from the issuance of the Bonds to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) these Bond Terms duly executed by all parties hereto;

(ii) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and the Issuer and the Parent to execute the Finance Documents to which it is a party;

(iii) a copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;

(iv) copies of the Issuer's by-laws and of a full extract from the relevant company register in respect of the Issuer evidencing that the Issuer is validly existing (or similar documentation applicable in its relevant jurisdiction such as a certificate of compliance issued by the Registrar of Companies in Bermuda);

(v) the Escrow Account Pledge duly executed by all parties thereto and perfected in accordance with applicable law;

(vi) copies of the Parent's latest Financial Reports (if any);

(vii) confirmation that the applicable prospectus requirements (ref. the EU prospectus regulation ((EU) 2017/1129)) concerning the issuance of the Bonds have been fulfilled;

(viii) copies of any necessary governmental approval, consent or waiver (as the case may be) required at such time to issue the Bonds;

(ix) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);

(x) confirmation of acceptance from any process agent;

(xi) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Rig Manager in connection with the issuance of the Bonds;

(xii) the Bond Trustee Fee Agreement duly executed by all parties thereto; and

(xiii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).

(b) The net proceeds from the issuance of the Bonds (on the Escrow Account) may be disbursed to the Issuer in one or two closings related to refinancing of one or both of the Collateral Rigs (as the case may be). The Net Proceeds from the issuance of the Bonds (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee and in each case as relevant in connection with each separate closing:

(i) a duly executed release notice from the Issuer, as set out in Attachment 2;

(ii) unless delivered under paragraph (a) above, as pre-settlement conditions precedent:

(A) copies of all necessary corporate resolutions of each relevant Security Provider (and any other relevant company) required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(B) a copy of a power of attorney (unless included in the relevant corporate resolutions) from each relevant Security Provider (and any other relevant company) to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor;

(C) copies of the articles of association (to the extent relevant, to include waiver of any pre-emptions rights and with no requirement of consent for the purpose of pledging shares or transferring shares) (or equivalent constitutional documents) and of a full extract from the relevant company register in respect of each relevant Security Provider (and any other relevant company, or similar documentation applicable in its relevant jurisdiction such as a certificate of compliance issued by the Registrar of Companies in Bermuda) required to grant security and execute the Finance Documents evidencing that such company is validly existing;

(iii) the Transaction Security Documents duly executed by all parties thereto and evidence of the establishment and (to the extent required) perfection of the Transaction Security; and

(iv) the Guarantees provided by the relevant Guarantors, duly executed;

(v) evidence that the Existing Debt relating to the relevant Collateral Rig has been, or will be repaid, on or prior to the disbursement date from the Escrow Account and that the relevant security will be released no later than the disbursement date;

(vi) if required by the Bond Trustee, a funds flow showing the movement of funds in accordance with the Purpose upon disbursement from the Escrow Account;

(vii) documentation evidencing that the amount to be released shall be applied in accordance with Clause 2.3 (*Use of proceeds*);

(viii) evidence by way of Insurance policies/cover notes evidencing that the relevant Insurances have been taken out in accordance with the Insurance requirements as set out in the Clause 15.7 below and that the Bond Trustee has been noted as mortgagee in the Insurance policies letters of undertakings from the insurers and a third party Insurance report from BankServe or other third party insurance advisor acceptable to the Bond Trustee;

(ix) certificate of ownership and encumbrances from the appropriate authorities showing the registered ownership of the relevant Collateral Rig, and certifying that no other encumbrances, maritime liens, mortgages or debts whatsoever (other than which will be discharged in accordance with the Closing Procedure following the first release of funds from the Escrow Account) are registered against the relevant Collateral Rig;

(x) customary documents and certificates related to the relevant Collateral Rig, including but not limited to transcript of registry for the relevant Collateral Rig;

(xi) up-to-date class certificate related to the relevant Collateral Rig from the classification society;

(xii) copy of any executed management agreement relating to the relevant Collateral Rig;

(xiii) copy of any Charter Contract relating to the relevant Collateral Rig;

(xiv) overview and copies of any internal bareboat or sub-charter agreements, intra-group loans etc.;

(xv) confirmation from the Parent that no Event of Default has occurred and is continuing or will result from the disbursement from the Escrow Account;

(xvi) any other document, confirmation or evidence reasonably requested by the Bond Trustee; and

(xvii) legal opinions or other statements as may be required by the Bond Trustee, including in respect of corporate matters relating to the Obligors and the legality, validity and enforceability of the Finance Documents (unless delivered under paragraph (a) as pre-settlement conditions precedent).

(c) The Bond Trustee, acting in its sole discretion, may, regarding this Clause 6.1, waive the requirements for documentation or decide that delivery of certain documents shall be made subject to an agreed Closing Procedure between the Bond Trustee and the Issuer.

6.2 Disbursement of the proceeds

(a) Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee's confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee's discretion or waived by the Bond Trustee pursuant to paragraph (c) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*). Perfection of the Transaction Security (except for the Escrow Account Pledge and pledge over shares in any entity incorporated in Scotland) shall be established as soon as possible in accordance with the terms of the Closing Procedure on or immediately after the release of funds from the Escrow Account, including to allow for certain matters to be handled post disbursement, as customary or required for practical reasons.

(b) If the amount on the Escrow Account is released in two closings, each related to one Collateral Rig (and granting of the mortgage in the same), an amount of 50 per cent of the Issue Amount may be released in the first such closing and the remaining amount in the next closing.

(c) Without limiting the generality of the foregoing, the Issuer and the Bond Trustee may, under the terms of the Closing Procedure, agree that any conditions precedent (including providing Transaction Security) which are to be delivered by or in respect of any Obligor (other than the Issuer) may be delivered as conditions subsequent, however such conditions may in no event be delivered later than ten (10) Business Days after first release of funds from the Escrow Account.

7. REPRESENTATIONS AND WARRANTIES

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and Warranties*), in respect of itself and in respect of each Obligor to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

(a) on the date of these Bond Terms;

(b) on the Issue Date; and

(c) on each date of disbursement of proceeds from the Escrow Account.

7.1 Status

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

7.3 Valid, binding and enforceable obligations

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

7.4 Non-conflict with other obligations

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with:

(a) any law or regulation or judicial or official order;

(b) its constitutional documents; or

(c) any agreement or instrument which is binding upon it or any of its assets.

7.5 No Event of Default

(a) No Event of Default exists or is likely to result from the making of any disbursement of proceeds or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(b) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

7.6 Authorisations and consents

All authorisations, consents, approvals, resolutions, licences, exemptions, filings, notarisations or registrations required:

(a) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and

(b) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

7.7 Litigation

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

7.8 Financial Reports

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with the Accounting Standard, consistently applied.

7.9 No Material Adverse Effect

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

7.10 No misleading information

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

7.11 No withholdings

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under the Finance Documents.

7.12 Pari passu ranking

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4 (*Status of the Bonds*).

7.13 Security

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

8. PAYMENTS IN RESPECT OF THE BONDS

8.1 Covenant to pay

(a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

(b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD on the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.

(c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

(d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary has been set out for such payment in the relevant Finance Document.

8.2 Default interest

(a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus 3 percentage points per annum.

(b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

(c) Upon the occurrence of a Listing Failure Event and for as long as such Listing Failure Event is continuing, the interest on any principal amount outstanding under these Bonds Terms will accrue at the Interest Rate plus 1 percentage point per annum.

8.3 Partial Payments

(a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:

  (i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);

(ii) secondly, towards accrued interest due but unpaid; and

(iii) thirdly, towards any other outstanding amounts due but unpaid under the Finance Documents.

(b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

(i) if the Bond Trustee has served a Default Notice in accordance with Clause 16.2 (*Acceleration of the Bonds*); or

(ii) if a resolution according to Clause 17 (*Bondholders' Decisions*) has been made.

8.4 Taxation

(a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

(b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

(c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

(d) The Bond Trustee shall not have any responsibility to obtain information about the Bondholders relevant for the tax obligations pursuant to these Bond Terms.

8.5 Currency

(a) All amounts payable under the Finance Documents shall be payable in the Bond Currency. If, however, the Bond Currency differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

(b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within 5 Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

8.6 Set-off and counterclaims

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

9. INTEREST

9.1 Calculation of interest

(a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.

(b) Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis), unless:

(i) the last day in the relevant Interest Period is the 31st calendar day but the first day of that Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be shortened to a 30–day month; or

(ii) the last day of the relevant Interest Period is the last calendar day in February, in which case February shall not be lengthened to a 30-day month.

9.2 Payment of interest

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

10. REDEMPTION AND REPURCHASE OF BONDS

10.1 Redemption of Bonds

(a) The Bonds shall amortize with an amount of USD 20,000,000 (the "**Amortization Amount**") on each Interest Payment Date until, but not including the Maturity Date, in each case at 100 per cent of the Nominal Amount (plus accrued interest on redeemed amount). However, following a redemption due to the occurrence of a Prepayment Event or a Total Loss Event, the Amortization Amount shall be reduced to USD 10,000,000.

(b) Instalment payments will be made pro rata in accordance with the applicable regulations of the CSD.

(c) Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

10.2 Voluntary early redemption - Call Option

(a) The Issuer may redeem all or part of the Outstanding Bonds (the "**Call Option**") on any Business Day from and including:

(i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

(ii) the First Call Date to, but not including, the Interest Payment Date in May 2026 at a price equal to 104.625% of the Nominal Amount for each redeemed Bond (the "**First Call Price**");

(iii) the Interest Payment Date in May 2026 to, but not including, the Interest Payment Date in November 2026, at a price equal to 103.700% of the Nominal Amount of the redeemed Bonds

(iv) Interest Payment Date in November 2026 to, but not including, the Interest Payment Date in May 2027, at a price equal to 102.775% of the Nominal Amount for each redeemed Bond;

(v) Interest Payment Date in May 2027 to, but not including, the Interest Payment Date in November 2027, at a price equal to 101.388% of the Nominal Amount for each redeemed Bond; and

(vi) the Interest Payment Date in November 2027 to, but not including, the Maturity Date at a price equal to 100.463% of the Nominal Amount for each redeemed Bond.

(b) Any redemption of Bonds pursuant to paragraph (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.

(c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee at least 10 Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall calculate the Make Whole Amount and provide such calculation by written notice to the Bond Trustee as soon as possible and at the latest within 3 Business Days from the date of the notice.

(d) Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

(e) Any redemption notice given in respect of the Call Option may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, in which case the exercise of the Call Option will be automatically cancelled unless such conditions precedent have been satisfied or waived by the Issuer at least three (3) Business Days prior to the Call Option Repayment Date.

(f) For the avoidance of doubt, any redemption of Bonds pursuant to the scheduled amortisation payments set out in Clause 10.1 (*Redemption of Bonds*) above shall not be subject to the foregoing.

10.3 Mandatory repurchase due to a Put Option Event

(a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the "**Put Option**") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount.

(b) The Put Option must be exercised within 15 Business Days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Put Option Event has occurred pursuant to Clause 13.3 (*Put Option Event*). Once notified, the Bondholders' right to exercise the Put Option is irrevocable.

(c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 5th Business Day after the end of 15 Business Days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.

(d) If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3 due to a Change of Control Event, the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.

10.4 Early redemption option due to a tax event

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

10.5 Mandatory early redemption due to a Mandatory Redemption Event

(a) Upon a Mandatory Redemption Event due to the occurrence of:

(i) a Longstop Date Event, the Issuer shall, within 3 Business Days after the occurrence of the Longstop Date Event, redeem all of the Outstanding Bonds at a price of 100 per cent. of the Issue Price plus accrued interest, by inter alia applying the funds deposited on the Escrow Account for such redemption;

(ii) a Partial Release Event, the Issuer shall immediately redeem 50 per cent. of the Outstanding Bonds at a price equal to 100% of the Issue Price, together with any accrued and unpaid Interest, by, *inter alia*, applying the remaining funds deposited in the Escrow Account for such redemption;

(iii) a Prepayment Event, the Issuer shall, no later than 5 Business Days after the occurrence of the Prepayment Event, redeem, in the case the Prepayment Event relates to:

(A) one Collateral Rig, 55.00 per cent. of the Outstanding Bonds; or

(B) both Collateral Rigs, all Outstanding Bonds, in each case at a redemption price equal to the First Call Price if the Prepayment Event occurs prior to the First Call Date and at the prevailing Call Option price if such Prepayment Event occurs at the First Call Date or any time thereafter; and

(iv) a Total Loss Event, the Issuer shall as soon as it receives Insurance proceeds, and in any event no later than 180 days following the Total Loss Event, redeem 55.00 per cent. of the Outstanding Bonds at 100.00 per cent. of the Nominal Amount (plus accrued interest on the redeemed Bonds).

(b) Any redemption in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

(c) Following a Prepayment Event and subject to redemption of Outstanding Bonds in accordance with paragraph (a)(iii) above, the Bond Trustee shall upon the request and at the cost of the Issuer, release the Security relating solely to the disposed Collateral Rig and/or Rig Owner (if necessary, subject to an agreed closing mechanism between the Issuer and the Bond Trustee (acting in its sole discretion)).

11. PURCHASE AND TRANSFER OF BONDS

11.1 Issuer's purchase of Bonds

The Issuer may purchase and hold Bonds and such Bonds may be retained, or sold or cancelled in the Issuer's sole discretion, including with respect to Bonds purchased pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

11.2 Restrictions

(a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible for ensuring compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

(b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

12. GUARANTEE

12.1 Guarantee and indemnity

The Guarantor hereby irrevocably and unconditionally:

(a) guarantees to the Bond Trustee (on behalf of itself and the Secured Parties), as and for its own debt as principal obligor and not merely as a surety (Norwegian: "*selvskyldnergaranti*"), the due and punctual performance of the Secured Obligations, including amounts arising as a result of interests, default interests, costs and expenses;

(b) undertakes with the Bond Trustee, on behalf of the Secured Parties, that whenever an Obligor does not pay any amount when due under the Finance Documents, the Guarantor shall immediately on demand from the Bond Trustee pay that amount as if it was the principal obligor; and

(c) agrees to indemnify the Bond Trustee and the Secured Parties immediately on demand from the Bond Trustee in respect of any cost, loss or liability suffered by the Bond Trustee or the Secured Parties due to any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability will not exceed the amount which the terms of the Finance Documents and the Secured Parties would otherwise have been entitled to recover.

12.2 Continuing Guarantee

This Guarantee is:

(a) continuing and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part; and

(b) in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Secured Parties.

12.3 Reinstatement

If any payment by an Obligor or any discharge given by the Bond Trustee (whether in respect of the obligations of the Obligor or any security for those obligations or otherwise) is avoided or must be restored as a result of insolvency or any similar event:

(a) the liability of the Guarantor shall continue as if the payment, discharge, avoidance or repayment had not occurred; and

(b) the Bond Trustee shall be entitled to recover the value or amount of that security or payment from the Parent, as if the payment, discharge, avoidance or repayment had not occurred.

12.4 Waiver of defences

The obligations of the Guarantor hereunder shall not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations (without limitation and whether or not known to it, the Bond Trustee or any Secured Party) including:

(a) any time, waiver or consent granted to, or composition with, an Obligor or other person;

(b) the release of an Obligor or other person under the terms of any composition or arrangement with any creditor of an Obligor;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

(e) any amendment (however fundamental) or replacement of the terms of the Finance Documents or any other document or Security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under the terms of the Finance Documents or any other document or Security; or

(g) any insolvency or similar proceedings.

12.5 Immediate recourse

The Guarantor waives any right it may have of first requiring the Bond Trustee or any Secured Party to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Parent. This waiver applies irrespective of any law or any provision of the terms under the Finance Documents to the contrary.

12.6 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, the Bond Trustee may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by the Bond Trustee or a Secured Party in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Parent's liability under this Guarantee.

12.7 Deferral of Parent's rights

Until all amounts which may be or become payable by an Obligor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Bond Trustee otherwise directs, the Guarantor shall not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from an Obligor under the Finance Documents; and/or

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Bond Trustee or the Secured Parties under the terms of the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents.

12.8 Additional Security

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Bond Trustee or by a Secured Party.

12.9 Guarantee Limitations

Notwithstanding the obligations of the Guarantor pursuant to this guarantee, the maximum guarantee liability of the Guarantor hereunder shall always be limited to USD 487,500,000 plus any interest, default interest or other costs, fees and expenses related to the liability of the Guarantor hereunder.

12.10 Norwegian FA Legislation

The Parent, to the extent it is deemed to be a guarantor pursuant to the Norwegian financial agreements act of 18 December 2020 No. 146 (Nw. *finansavtaleloven*) and the Norwegian regulation on financial agreements of 19 September 2022 No. 1612 (Nw. *finansavtaleforskriften*) (in each case as amended or replaced from time to time) (the "**FA**

Legislation"), specifically waives all rights under the provisions of the FA Legislation not being mandatory provisions.

13. INFORMATION UNDERTAKINGS

13.1 Financial Reports

(a) The Parent and the Issuer shall prepare Annual Financial Statements in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 4 months after the end of the financial year.

(b) The Parent and the Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 2 months after the end of the relevant interim period.

13.2 Requirements as to Financial Reports

(a) The Parent and the Issuer shall supply to the Bond Trustee, in connection with the publication of its Financial Reports pursuant to Clause 13.1 (*Financial Reports*), a Compliance Certificate with a copy of the Financial Reports attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer, the chief financial officer, or another authorised signatory of the Parent and the Issuer, certifying, *inter alia*, that the Financial Reports fairly represent its financial condition as at the date of the relevant Financial Report and setting out (in reasonable detail) computations evidencing compliance with Clause 14.20 (*Financial covenants*) as at such date.

(b) The Parent and the Issuer shall procure that the Financial Reports delivered pursuant to Clause 13.1 (*Financial Reports*) are prepared using the Accounting Standard consistently applied.

13.3 Put Option Event

The Parent and the Issuer shall promptly inform the Bond Trustee in writing after becoming aware that a Put Option Event has occurred.

13.4 Listing Failure Event

The Parent and the Issuer shall promptly inform the Bond Trustee in writing if a Listing Failure Event has occurred. However, no Event of Default shall occur if the Issuer fails (i) to list the Bonds in accordance with Clause 4 (*Admission to Listing)* or (ii) to inform of such Listing Failure Event, and such failure shall result in the accrual of default interest in accordance with paragraph (c) of Clause 8.2 (*Default interest*) for as long as such Listing Failure Event is continuing.

13.5 Prepayment Event

The Parent and the Issuer shall promptly inform the Bond Trustee in writing after becoming aware that a Prepayment Event has occurred.

13.6 Total Loss Event

The Parent and the Issuer shall promptly inform the Bond Trustee in writing after becoming aware that a Total Loss Event has occurred.

13.7 Information: Miscellaneous

The Parent and the Issuer shall:

(a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;

(b) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

(c) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(d) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange;

(e) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;

(f) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and

(g) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

14. GENERAL AND FINANCIAL UNDERTAKINGS

14.1 General

The Issuer and the Parent (as the case may be) undertake to (and the Parent shall, where applicable, procure that the other Group Companies (where relevant) will, and the Issuer shall, where applicable, procure that the other Restricted Group Companies (where relevant) will) comply with the undertakings set forth in this Clause 14.

14.2 Compliance with laws

The Parent shall, and shall ensure that each Group Company will, comply in all respects with all laws and regulations to which it may be subject from time to time if a failure to do so would have a Material Adverse Effect.

14.3 Anti-corruption and sanctions

(a) The Parent shall, and shall ensure that each other Group Company will:

(i) ensure that no proceeds from the Bond Issue are used directly or indirectly for any purpose which would breach any applicable acts, regulations or laws on bribery, corruption or similar; and

(ii) conduct its businesses and maintain policies and procedures in compliance with applicable anti-corruption laws.

(b) The Parent shall ensure that no Group Company will engage in any conduct prohibited by any sanctions applicable to the Group Company.

14.4 Authorisations

The Parent shall, and shall ensure that each Group Company will, in all respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.

14.5 Corporate status

The Issuer shall not change its jurisdiction of incorporation or formation and the Issuer shall procure that each other Restricted Group Company remains incorporated and formed in an Approved Jurisdiction.

14.6 Single Purpose Company

(a) The Issuer shall ensure that any Rig Owner and any Charter Company shall remain single purpose companies with the sole purpose of owning, operating and chartering of the Collateral Rigs (including entering into relevant agreements and arrangements in relation thereto including relevant charter agreements, and employing or hiring in relevant staff and management services as required).

(b) The Issuer may incorporate new or re-domicile the Rig Owners and Charter Companies provided that it is incorporated in an Approved Jurisdiction and the required Transaction Security is established.

14.7 Ownership

The Parent shall ensure that it directly or indirectly owns 100% of the shares and voting rights of the Issuer, and the Issuer shall ensure that, subject to mandatory requirements under applicable laws, it directly or indirectly owns 100% of the shares and voting rights of the Rig Owners and the Charter Companies.

14.8 Mergers and de-mergers

The Parent shall not, and shall ensure that no other Group Company will, carry out:

(a) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Parent or any other Group Company with any other person other than a Group Company; or

(b) any demerger or other corporate reorganisation having the same or equivalent effect as a demerger involving the Issuer or any Group Company;

in either case if such merger, demerger, combination or reorganisation would have a Material Adverse Effect, provided always that (i) if a Restricted Group Company merges with a Group Company, and the surviving entity is not an Obligor, such entity shall become an Obligor and a Restricted Group Company and relevant Transaction Security shall be provided as was provided for the Restricted Group Company, and (ii) no merger involving the Issuer where the Issuer is not the surviving entity shall be permitted.

14.9 Continuation of business

The Parent shall ensure that no material change is made to the primary nature of the Group's business from that carried out by the Group at the Issue Date provided that any extensions or developments thereof and any new or ancillary business related to renewable energy or energy transition, decarbonisation, carbon storage or similar shall be permitted.

14.10 **Arm's length transactions**

The Parent shall ensure that:

(a) no Group Company shall engage, directly or indirectly, in any transaction with any party other than a Group Company (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except on an arm's length basis (or better from the perspective of the Group Company); and

(b) no Restricted Group Company shall engage, directly or indirectly, in any transaction with any party other than a Restricted Group Company (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except on an arm's length basis (or better from the perspective of the Restricted Group Company).

14.11 Disposals

(a) The Parent shall not, and shall ensure that no Group Company will, sell, transfer or otherwise dispose of all or a substantial part of the Group's assets (including shares or other securities in any person) or operations (taken as a whole) unless the transaction is carried out on an arm's length basis and such disposal or sale does not have a Material Adverse Effect.

(b) The Issuer shall ensure that any Restricted Group Company shall not sell or otherwise dispose of any assets subject to any Transaction Security other than a Permitted Disposal.

14.12 **Maintain Transaction Security Documents**

The Parent and the Issuer shall ensure that each Group Company shall maintain the Transaction Security Documents in full force and effect, and do all acts which may be necessary to ensure that such security remains duly created, enforceable and (where required) perfected with first priority ranking, creating the security contemplated thereunder, at the expense of the relevant Group Company.

14.13 Financial Indebtedness restrictions

The Parent and the Issuer shall ensure that no Restricted Group Company shall incur, create or permit to subsist any Financial Indebtedness other than Permitted Financial Indebtedness.

14.14 **Negative Pledge**

The Parent and the Issuer shall ensure that no Restricted Group Company shall create or permit to subsist any Security over any of its assets or enter into arrangements having a similar effect other than Permitted Security.

14.15 **Loans or credit**

The Parent and the Issuer shall ensure that no Restricted Group Company will be a creditor in respect of any Financial Indebtedness, other than any Permitted Loan.

14.16 No guarantees or indemnities

The Parent and the Issuer shall ensure that no Restricted Group Company will incur or allow to remain outstanding any guarantee in respect of any obligation of any person, other than any Permitted Guarantee.

14.17 Distributions

The Parent shall not make any Distributions other than a Permitted Distribution;

14.18 Incorporation of Restricted Group Companies

The Parent and the Issuer shall ensure that each Restricted Group Company shall be incorporated in an Approved Jurisdiction.

14.19 Subsidiary distributions

The Issuer shall not permit any of its Subsidiaries to create any contractual obligation (or encumbrance) restricting the right of any such Subsidiary to pay dividends or make other distributions to its shareholders, other than such contractual obligations which are not reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Terms.

14.20 Financial covenants

(a) The Parent shall, on a consolidated basis for the Group, comply with the following financial covenants at all times during the term of the Bonds:

(i) Equity Ratio of minimum 30%;

(ii) Free Liquidity of no less than USD 50,000,000; and

(iii) Current Ratio shall at all times be minimum 1.00:1.00.

(b) The Parent undertakes to comply with the requirements set out in paragraph (a) of this Clause 14.20 at all times, such compliance to be certified by the Parent with a Compliance Certificate in connection with the publication of its Financial Reports.

(c) If the Parent fails (or would otherwise fail) to comply with of the requirements set out in paragraph (a) of this Clause 14.20 as at any Quarter Date, and the Parent receives cash proceeds in the form of new equity or a Subordinated Loan (the "**Cure Amount**") within 20 Business Days of the date on which the Annual Financial Statements or the Interim Accounts are due hereunder, then such financial covenant shall be recalculated after giving effect to the following pro forma adjustments:

(i) **Liquidity**: Cash and Cash Equivalents shall be increased by an amount equal to the Cure Amount; and

(ii) **Equity Ratio**: Each of Equity and Total Assets shall be increased by an amount equal to the Cure Amount,

and if, after giving effect to the foregoing recalculations, the Issuer is in compliance with the requirements set out in paragraph (a) of this Clause 14.20, the Issuer shall be deemed to have satisfied the requirements set out in paragraph (a) of this Clause 14.20 for such Quarter Date as though there had been no failure to comply with such requirement, and the applicable breach or default of the relevant requirement(s) set out in paragraph (a) of this Clause 14.20 which had occurred shall be deemed to have been prevented or cured.

(d) The Issuer shall be limited to a maximum of one (1) financial covenant cure of actual failures to satisfy the requirements set out in (a) of this Clause 14.20 during the term of the Bonds.

15. RIG UNDERTAKINGS

15.1 General

The undertakings in this Clause 15 are granted by the Issuer in respect of the Collateral rigs and remain in force from the date of these Bond Terms and for so long as any amount is outstanding under the Finance Documents.

15.2 Compliance with laws - Collateral Rigs

The Issuer shall ensure that each of the Collateral Rigs is operated in all respects in accordance with applicable laws and regulations and good industry standards if failure to comply would have a Material Adverse Effect.

15.3 Earnings

All Earnings related to each of the Collateral Rigs, any Insurance, sales proceeds, and any other earnings in the Restricted Group's business, in each case payable to the Restricted Group, shall be paid into the relevant Earnings Accounts.

15.4 Drilling contracts

Drilling contracts in respect of each of the Collateral Rigs shall be entered into with the Issuer, the relevant Rig Owner or another Restricted Group Company.

15.5 Change of flag

Each of the Collateral Rigs shall be registered in an Approved Flag State or another ship registry acceptable to the Bond Trustee (in its sole discretion) and maintain class with an Approved Classification Society (free of material overdue recommendations or adverse notations) and consistent with prudent ownership and good and safe industry standards (and where the Bond Trustee shall be given notice of any changes to flag, registry class or name of any of the Collateral Rigs prior to any such changes becoming effective) and provided always that effective Transaction Security over the Collateral Rigs remains in place at all times.

15.6 Maintenance

(a) Each of the Collateral Rigs and all relevant equipment related thereto are maintained at all times in a manner consistent with prudent ownership and good industry standards.

(b) During operation of the Collateral Rigs, the Issuer shall ensure that each of the Collateral Rigs is properly maintained and kept in good and safe condition in a manner consistent with prudent ownership and good industry standards so as to:

(i) maintain its current class with an Approved Classification Society, free of overdue material recommendations and qualifications; and

(ii) comply in all material respects with the laws and regulations (statutory or otherwise) applicable to units registered under the flag state of the Collateral Rigs and in any jurisdiction in which the Collateral Rigs may operate from time to time.

(c) The Issuer shall submit or cause the Collateral Rigs to be submitted to such periodic or other surveys as may be required for classification purposes and to ensure full compliance with regulations of the relevant flag state of the Collateral Rigs.

15.7 Insurance of the Collateral Rigs

(a) Insurance of the Collateral Rigs shall be taken out and maintained with financially sound and reputable insurance companies, funds or underwriters, including adequate Insurance arrangements with respect to its assets, equipment and business against such liabilities, casualties and contingencies and of such types and in such amounts as are consistent with prudent business practice in their relevant jurisdiction and consistent with industry standards (the Collateral Rigs to be insured in aggregate at the higher of no less than 100% of the Market Value and 120% of the Issue Amount under the Bonds outstanding, which includes:

(i) Hull and Machinery, Protection & Indemnity, Hull Interest and/or Freight Interest and War Risk;

(ii) has Insurance value of the Collateral Rigs equal to or higher than one hundred and twenty per cent. (120.00%) of the amounts outstanding under the Finance Documents less any amount on the Escrow Account, at any time; and

(iii) and loss payee clauses with a major casualty threshold amount of USD 20,000,000.

(b) The Bond Trustee to take out a Mortgagee's Interest Insurance (MII) in an amount equal to 120% of the Issue Amount and, other than for a Collateral Rig that operates in Norway, Mortgagee's Additional Perils (Pollution) Insurance (MAPI) at the expense of the Issuer in the amount equal to 60% of the Issue Amount if for one Collateral Rig, otherwise equal to 120% of the Issue Amount. If any of the Collateral Rigs is employed in US waters, the Issuer shall deliver a copy of a Certificate of Financial Responsibility.

15.8 Management

The Issuer shall ensure:

(a) that commercial and technical management in respect of each of the Collateral Rigs are undertaken by a Rig Manager and that such Rig Manager provides a Manager's Undertaking, provided that if the relevant Rig Manager is not a Group Company, the Issuer shall take commercially reasonable efforts to procure that such third party Rig Manager provides a Manager's Undertaking; and

(b) not to terminate or amend in any material respect any management agreement with a Rig Manager to the extent this would have a Material Adverse Effect without first obtaining the prior written consent from the Bond Trustee (acting in its sole discretion).

15.9 Technical inspection

The Issuer shall upon request of the Bond Trustee (if so instructed by Bondholders holding in aggregate no less than 30% of the Outstanding Bonds), arrange for the Bond Trustee, and/or any person appointed by the Bond Trustee:

(a) to, at the expense of the Issuer (however limited to maximum one yearly inspection unless an Event of Default has occurred and is continuing), undertake a technical inspection of any of the Rigs without interference of the daily operation of the relevant Collateral Rig; and

(b) give access to the class records and any inspection reports performed in respect of the relevant Collateral Rig and disclose any such documentation upon request of the Bond Trustee.

15.10 Ownership of the Collateral Rigs

The Issuer shall ensure that the Collateral Rigs remains owned by a Rig Owner, provided that this shall not apply to;

(a) any disposal of a Collateral Rig to another Restricted Group Company provided always that effective Transaction Security remains in place at all times and the Restricted Group Company which acquires that Collateral Rig is or becomes a Rig Owner upon such disposal; or

(b) any disposal of any of the Collateral Rigs or any Restricted Group Company directly or indirectly owning a Collateral Rig where the relevant amount of the Bonds are redeemed in accordance with the Mandatory Prepayment provisions.

15.11 Sustainable recycling of Collateral Rigs

The Issuer shall ensure that the Collateral Rigs and any other rig owned or controlled by the Group or sold to an intermediary with the intention of being dismantled, scrapped or recycled, is recycled at a recycling yard which conducts its recycling business in a socially and environmentally responsible manner in accordance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 and/or EU Ship Recycling Regulation, 2013.

15.12 Arrest

The Issuer shall ensure promptly to either dispute or pay and discharge all liabilities which are due and which give or are reasonably likely to give rise to maritime or possessory liens on or claims enforceable against any of the Collateral Rigs, its Insurances or Earnings, all tolls, taxes, dues, fines, penalties and other amounts charged in respect of any of the Collateral Rigs, its Insurances or Earnings, and all other outgoings whatsoever in respect of the Collateral Rigs, its Insurances or Earnings, and forthwith upon receiving a notice of arrest of any of the Collateral Rigs, or their detention in exercise or purported exercise of any lien or claim, it shall procure its release by remedying, disputing or providing bail or Security in relation to such arrest or detention.

15.13 Cancellation of Charter Contract

(a) If one or more Charter Contracts for a Collateral Rig is cancelled prior to expiry of its fixed term, the Issuer shall procure transfer of all fees and reimbursements paid to the

Group under the Charter Contract resulting from such cancellation (however such cancellation, fees or reimbursements are described in the Charter Contract) up to an amount equal the 50% of each of the interest on and the scheduled Amortization Amounts under the Bonds for the period from the effective date of the relevant cancellation and until the expiry of the fixed term under the relevant Charter Contract (or 100% for any overlapping period in which this clause applies with respect to both Collateral Rigs), to a bank account that is pledged and blocked in favour of the Bond Trustee (on behalf of the Bondholders) (the "**Cancellation Fee Account**"), and the proceeds on the Cancellation Fee Account may only be released to either (at the Issuer's discretion):

(i) pay 50% of each of the interest on and the Amortization Amounts under the Bonds as they fall due (or 100% for any overlapping period in which this clause applies with respect to both Collateral Rigs); or

(ii) settle payment under a public tender of Bonds by the Issuer (made by way of public notice to all Bondholders equally provided they may lawfully participate without requirement for any registration or prospectus) at a price of no less than 100% of the Nominal Amount and with a reasonable time period for acceptance (the "**Bond Tender**"). Funds on the Cancellation Fee Account not utilised to settle the Bond Tender due to lack of acceptance of the Bond Tender by the Bondholders, shall be released to the Issuer.

(b) If a new Charter Contract to the relevant Collateral Rig is entered into for a term beyond the scheduled fixed term of the cancelled Charter Contract, the funds on the Cancellation Fee Account may be released to the Issuer.

16. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

16.1 Events of Default

Each of the events or circumstances set out in this Clause 16.1 shall constitute an Event of Default:

(a) Non-payment

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

(i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within 5 Business Days following the original due date; or

(ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within 5 Business Days following the original due date.

(b) Breach of other obligations

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

(c) *Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made by the Issuer or any other Obligor under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made.

(d) *Cross default*

If for an Obligor:

(i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of USD 25,000,000 (or the equivalent thereof in any other currency).

(e) *Insolvency and insolvency proceedings*

The Issuer or any other Obligor:

(i) is Insolvent; or

(ii) is object of any corporate action or any legal proceedings is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganisation; or

(B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its payment obligations under these Bond Terms; or

(C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph 16.1 (d) (*Cross default*) above; or

(E) for paragraphs (A) - (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company.

However, this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 20 Business Days of commencement.

(f) Creditor's process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of an Obligor having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above and is not discharged within 20 Business Days.

(g) Unlawfulness

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

(i) the ability of such Obligor to perform its obligations under these Bond Terms; or

(ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

16.2 Acceleration of the Bonds

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 16.3 (*Bondholders' instructions*) below, by serving a Default Notice to the Issuer:

(a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or

(b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

16.3 Bondholders' instructions

The Bond Trustee shall serve a Default Notice pursuant to Clause 16.2 (*Acceleration of the Bonds*) if:

(a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or

(b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

16.4 Calculation of claim

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the call prices set out in paragraph (a) of Clause 10.2 (*Voluntary early redemption – Call Option*), as applicable at the following dates (and regardless of the Default Repayment Date):

(a) for any Event of Default arising out of a breach of Clause 16.1 (*Events of Default*) paragraph (a) (*Non-payment*), the claim will be calculated at the call price applicable at the date when such Event of Default occurred; and

(b) for any other Event of Default, the claim will be calculated at the call price applicable at the date when the Default Notice was served by the Bond Trustee.

However, if the situations described in paragraph (a) or (b) above takes place prior to the First Call Date, the calculation shall be based on the call price applicable on the First Call Date.

17. BONDHOLDERS' DECISIONS

17.1 Authority of the Bondholders' Meeting

(a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

(c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

(d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 18.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

(e) At least 50 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.

(f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.

(g) Save for any amendments or waivers which can be made without resolution pursuant to paragraph (a)(i) and (ii) of Clause 19.1 (*Procedure for amendments and waivers*), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of these Bond Terms.

17.2 Procedure for arranging a Bondholders' Meeting

(a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or

(iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

(b) If the Bond Trustee has not convened a Bondholders' Meeting within 10 Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the requesting party may call the Bondholders' Meeting itself.

(c) Summons to a Bondholders' Meeting must be sent no later than 10 Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).

(d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

(e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.

(f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).

(g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").

(h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt regarding whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.

(i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

(j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.

(k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).

(l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

17.3 Voting rules

(a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.

(b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

(c) For the purposes of this Clause 17, a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

(d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

17.4 Repeated Bondholders' Meeting

(a) Even if the necessary quorum set out in paragraph (e) of Clause 17.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within 10 Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.

(b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 17.1 (*Authority of the Bondholders' Meeting*), Clause 17.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 17.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (e) of Clause 17.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

(c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 17.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 17.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

17.5 Written Resolutions

(a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 17.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

(b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.

(c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.

(d) The provisions set out in Clause 17.1 (*Authority of the Bondholders' Meeting*), 17.2 (*Procedure for arranging a Bondholders' Meeting*), Clause 17.3 (*Voting rules*) and Clause 17.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:

(i) the provisions set out in paragraphs (g), (h) and (i) of Clause 17.2 (*Procedure for arranging Bondholders Meetings*); or

(ii) provisions which are otherwise in conflict with the requirements of this Clause 17.5, shall not apply to a Written Resolution.

(e) The Summons for a Written Resolution shall include:

(i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and

(ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority, which shall be at least 10 Business Days but not more than 15 Business Days from the date of the Summons (the "**Voting Period**").

(f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

(g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or (f) of Clause 17.1 (*Authority of Bondholders' Meeting*) has been obtained, based on a quorum of the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution will also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.

(h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being obtained.

(i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the time specified in the summons on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (e) to (g) of Clause 17.1 (*Authority of Bondholders' Meeting*).

18. THE BOND TRUSTEE

18.1 Power to represent the Bondholders

(a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.

(b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

18.2 The duties and authority of the Bond Trustee

(a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.

(b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

(c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.

(d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.

(e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.

(f) The Bond Trustee shall facilitate that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

(g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

(h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:

   (i) complying with instructions of the Bondholders; or

   (ii) taking any action at its own initiative,

   will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 18.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

(i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.

(j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal value in order to facilitate partial redemptions, write-downs or restructurings of the Bonds or in other situations where such split is deemed necessary.

18.3 Equality and conflicts of interest

(a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

(b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

18.4 Expenses, liability and indemnity

(a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

(b) The Bond Trustee will not be liable to the Issuer for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss.

(c) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.

(d) The Bond Trustee shall not be considered to have acted negligently in:

(i) acting in accordance with advice from or opinions of reputable external experts; or

(ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.

(e) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.

(f) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.

(g) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any Finance Document which the Bond Trustee reasonably believes may constitute or lead to a breach of any Finance Document or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

(h) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee or the Security Agent in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.

(i) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 16.3 (*Bondholders' instructions*) or Clause 17.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

18.5 Replacement of the Bond Trustee

(a) The Bond Trustee may be replaced by a majority of 2/3 of Voting Bonds in accordance with the procedures set out in Clause 17 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.

(b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 18.5, initiated by the retiring Bond Trustee.

(c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 18.5. The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.

(d) The change of Bond Trustee shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.

(e) Upon change of Bond Trustee, the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

18.6 Security Agent

(a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents.

(b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

(c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

(d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.

(e) The provisions set out in Clause 18.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

19. AMENDMENTS AND WAIVERS

19.1 Procedure for amendments and waivers

(a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

(i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes;

(ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

(iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 17 (*Bondholders' Decisions*).

(b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

19.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

19.3 Notification of amendments or waivers

(a) The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 19, setting out the date from which the amendment or waiver will be effective, unless such notice according to the Bond Trustee's sole discretion is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

(b) Prior to agreeing to an amendment or granting a waiver in accordance with paragraph (a)(i) of Clause 19.1 (*Procedure for amendments and waivers*), the Bond Trustee may inform the Bondholders of such waiver or amendment at a relevant information platform.

20. MISCELLANEOUS

20.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

20.2 Access to information

(a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.

(b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.

(c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

20.3 Notices, contact information

(a) Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

(b) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).

(c) Notwithstanding paragraph (a) above and provided that such written notification does not require the Bondholders to take any action under the Finance Documents, the Issuer's written notifications to the Bondholders may be published by the Bond Trustee on a relevant information platform only.

(d) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter or e-mail. Any such notice or communication will be deemed to be given or made as follows:

(i) if by letter, when delivered at the address of the relevant party;

(ii) if by e-mail, when received; and

(iii) if by publication on a relevant information platform, when published.

(e) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address and telephone and contact persons.

(f) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):

(i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;

(ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and

(iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

20.4 Defeasance

(a) Subject to paragraph (b) below and provided that:

(i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the relevant Repayment Date (including, to the extent applicable, any premium payable upon exercise of a Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");

(ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge**"); and

(iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

(A) the Issuer will be relieved from its obligations under paragraph (a) of Clause 13.2 (*Requirements as to Financial Reports*), Clause 13.3 (*Put Option Event*), Clause 13.5 (*Information: miscellaneous*) and Clause 14 (*General and Financial Undertakings*);

(B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and

(C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.

(b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.

(c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems necessary.

A defeasance established according to this Clause 20.4 may not be reversed.

21. GOVERNING LAW AND JURISDICTION

21.1 Governing law

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

21.2 Main jurisdiction

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

21.3 Alternative jurisdiction

Clause 21 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

(a) to commence proceedings against the Issuer or any other Obligor or any of their respective assets in any court in any jurisdiction; and

(b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

21.4 Service of process

(a) Without prejudice to any other mode of service allowed under any relevant law, the Issuer:

(i) irrevocably appoints Odfjell Drilling AS as its agent for service of process in relation to any proceedings in connection with these Bond Terms; and

(ii) agrees that failure by an agent for service of process to notify the Issuer of the process will not invalidate the proceedings concerned.

(b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Issuer must immediately (and in any event within 10 Business Days of such event taking place) appoint another agent on terms acceptable to the Bond Trustee. Failing this, the Bond Trustee may appoint another agent for this purpose.

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These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

SIGNATURES:

The Issuer:

ODFJELL RIG III LTD.

Madeleine L. Finstad

....

By: Madeleine L. Finstad

Position: Attorney-in-fact

As Parent and Guarantor:

ODFJELL DRILLING LTD

Madeleine L. Finstad

....

By: Madeleine L. Finstad

Position: Attorney-in-fact

As Bond Trustee and Security Agent:

NORDIC TRUSTEE AS

....

By:

Position:

SIGNATURES:

The Issuer:

ODFJELL RIG III LTD.

....

By:

Position:

As Parent and Guarantor:

ODFJELL DRILLING LTD

....

By:

Position:

As Bond Trustee and Security Agent:

NORDIC TRUSTEE AS

....

By: Lars Erik Lærum

Position: Authorised signatory

ATTACHMENT 1
COMPLIANCE CERTIFICATE

[date]

Odfjell Rig III Ltd. 9.25% Senior Secured Callable Bond Issue 2023/2028 ISIN NO0012921172

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 14.20 (*Financial* covenants) of the Bond Terms, a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 13.2 (*Requirements as to Financial Reports*), we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate. Copies of our latest consolidated [Annual Financial Statements] / [Interim Accounts] are enclosed.

[The financial covenants set out in Clause 14.20 (*Financial covenants*) are met, please see the calculations and figures in respect of the covenants attached hereto.]

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

ODFJELL RIG III LTD.

____

Name of authorised person

Enclosure: Annual Financial Statements / *Interim Accounts; [and any other written documentation]*

ATTACHMENT 2
RELEASE NOTICE – ESCROW ACCOUNT

[date]

Dear Sirs,

Odfjell Rig III Ltd. 9.25% Senior Secured Callable Bond Issue 2023/2028 ISIN NO0012921172

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw [Alt 1: the amount specified in Enclosure I (*Flow of Funds*)]/[Alt 2: all amounts] from the Escrow Account to be applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and (ii) we confirm that the representations and warranties set out in the Bond Terms are true and accurate in all material respects at the date hereof.

Yours faithfully,

ODFJELL RIG III LTD.

____

Name of authorised person

Enclosure I: Flow of Funds

Appendix B – The Guarantee Agreements

First disbursement Guarantee

GUARANTEE

This GUARANTEE is made this 1 June 2023

by: The Companies listed in Schedule 1 (The Guarantors) as guarantors (each a "**Guarantor**" and together the "**Guarantors**")

in favour of: Nordic Trustee AS with registration number 963 342 624 (the "**Security Agent**").

WHEREAS,

(A) Reference is made to the bond terms dated 30 May 2023 with ISIN NO0012921172 (as amended, restated, supplemented or novated from time to time, the "**Bond Terms**"), entered into between Odfjell Rig III Ltd. as issuer (the "**Issuer**") and Nordic Trustee AS as bond trustee (the "**Bond Trustee**"), pursuant to which the Issuer has issued bonds in the amount of USD 390,000,000 subject to the terms and conditions set out therein (the "**Bond Issue**").

(B) The execution by the Guarantors of this Guarantee is a condition precedent under the Bond Terms for the disbursement of the Net Proceeds to the Issuer.

(C) In connection therewith, the Guarantors have been provided with and have reviewed a copy of the Finance Documents and has agreed to provide this guarantee which is an independent and irrevocable corporate guarantee (Norwegian: *selvskyldnerkausjon*) (the "**Guarantee**").

(D) Capitalised terms used but not defined in this Guarantee shall have the meaning ascribed to them in the Bond Terms.

NOW, THEREFORE, it is agreed as follows:

1. GUARANTEE AND INDEMNITY

The Guarantors hereby irrevocably and unconditionally:

(a) guarantee to the Security Agent (on behalf of itself and the Secured Parties), as and for its own debt as principal obligor and not merely as a surety (Norwegian: "*selvskyldnerkausjon*"), the due and punctual performance of the Issuer and the other Obligors' obligations under the terms of the Finance Documents (as amended from time to time), including amounts arising as a result of interests, default interests, costs and expenses;

(b) undertake with the Security Agent, on behalf of the Secured Parties, that whenever an Obligor does not pay any amount when due under the Finance Documents, each Guarantor shall immediately on demand from the Security Agent pay that amount as if it was the principal obligor; and

(c) agree to indemnify the Security Agent and the Secured Parties immediately on demand from the Security Agent in respect of any cost, loss or liability suffered by the Security Agent or the Secured Parties due to any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability will not exceed the amount which the terms of the Finance Documents and the Secured Parties would otherwise have been entitled to recover.

(d) Notwithstanding anything to the contrary provided in this Guarantee, the parties agree that the guarantee and security provided hereunder or any other obligations (whether in the form of a guarantee, indemnity, payment and/or set-offs) of the Guarantors incorporated in Norway towards the Security Agent or the Secured Parties shall not extend to any obligation which would otherwise be illegal or voidable financial assistance according to sections 8-7 and 8-10 of the Norwegian Companies Act of 13 June 1997 no. 45 (the "**Norwegian Companies Act**"), it being understood that such guarantee and security shall apply to the fullest extent permitted by those provisions of the Norwegian Companies Act.

2. CONTINUING GUARANTEE

This Guarantee is:

(a) continuing and will extend to the ultimate balance of sums payable by any Obligor under the Secured Obligations, regardless of any intermediate payment or discharge in whole or in part; and

(b) in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Secured Parties.

3. REINSTATEMENT

If any payment by an Obligor or any discharge given by the Security Agent (whether in respect of the obligations of the Obligor or any security for those obligations or otherwise) is avoided or must be restored as a result of insolvency or any similar event:

(a) the liability of the Guarantors shall continue as if the payment, discharge, avoidance or repayment had not occurred; and

(b) the Security Agent shall be entitled to recover the value or amount of that security or payment from the Guarantors, as if the payment, discharge, avoidance or repayment had not occurred.

4. WAIVER OF DEFENCES

The obligations of the Guarantors hereunder shall not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations (without limitation and whether or not known to it, the Security Agent or any Secured Party) including:

(a) any time, waiver or consent granted to, or composition with, an Obligor or other person;

(b) the release of an Obligor or other person under the terms of any composition or arrangement with any creditor of an Obligor;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Issuer or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the issuer or any other person;

(e) any amendment (however fundamental) or replacement of the Finance Documents or any other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under the Finance Documents or any other document or security; or

(g) any insolvency or similar proceedings.

5. IMMEDIATE RECOURSE

Each Guarantor waives any right it may have of first requiring the Security Agent or any Secured Party to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantors. This waiver applies irrespective of any law or any provision of the terms of the Finance Documents the contrary.

6. APPROPRIATIONS

Until all amounts which may be or become payable by an Obligor under or in connection with the Finance Documents have been irrevocably paid in full, the Security Agent may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by the Security Agent or a Secured Party in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantors shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from the Guarantors or on account of the Guarantors' liability under this Guarantee.

7. DEFERRAL OF GUARANTORS' RIGHTS

Until all amounts which may be or become payable by an Obligor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Security Agent otherwise directs, the Guarantors shall not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from the Issuer under the Finance Documents; and/or

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Security Agent or the Secured Parties under the terms of the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents.

8. ADDITIONAL SECURITY

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Security Agent or a Secured Party.

9. GUARANTEE LIMITATIONS

Notwithstanding the obligations of the Guarantors pursuant to this Guarantee, the maximum guarantee liability of the Guarantors hereunder shall always be limited to USD 487,500,000 plus any interest, default interest or other costs, fees and expenses related to the liability of the Guarantors hereunder.

10. NORWEGIAN FA LEGISLATION

Each Guarantor, to the extent it is deemed to be a guarantor pursuant to the Norwegian financial agreements act of 18 December 2020 No. 146 (Nw. *finansavtaleloven*) and the Norwegian regulation on financial agreements of 19 September 2022 No. 1612 (Nw. *finansavtaleforskriften*) (in each case as amended or replaced from time to time) (the "**FA Legislation**"), specifically waives all rights under the provisions of the FA Legislation not being mandatory provisions, including (without limitation) the rights set out in Sections 6-1 to 6-14 of Norwegian financial agreements act of 18 December 2020 No. 146 (Nw. *finansavtaleloven*).

11. NOTICES

Any notice, demand or other communication under this Guarantee shall be made as set out in the Bond Terms.

12. GOVERNING LAW AND JURISDICTION

This Guarantee shall be governed by and interpreted in accordance with Norwegian law, with venue as set out in Clause 20.2 of the Bond Terms.

[signature page follows on next page]

[Signature page – Guarantee]

DEEP SEA DRILLING COMPANY AS
As Guarantor

Signature: Madeleine L. Finstad
Name: Madeleine L. Finstad
Title: Attorney-in-fact
Place, date: Oslo ________ 2023

ODFJELL RIG OWNING LTD.
As Guarantor

Signature: Madeleine L. Finstad
Name: Madeleine L. Finstad
Title: Attorney-in-fact
Place, date: Oslo ________ 2023

ODFJELL DRILLING SHETLAND LIMITED
As Guarantor

Signature: Madeleine L. Finstad
Name: Madeleine L. Finstad
Title: Attorney-in-fact
Place, date: Oslo ________ 2023

Schedule 1

Overview of Guarantors

Name of Guarantor	**Registration number (or equivalent, if any) and jurisdiction**
Odfjell Rig Owning Ltd.	Company registration number 50982, Bermuda
Odfjell Drilling Shetland Ltd. (Rig Owner)	Company registration number SC368991, Scotland
Deep Sea Drilling Company AS (CharterCo)	Company registration number 925 500 925, Norway

Second disbursement Guarantee

GUARANTEE

This GUARANTEE is made this 1 June 2023

by: The Companies listed in Schedule 1 (The Guarantors) as guarantors (each a "**Guarantor**" and together the "**Guarantors**")

in favour of: Nordic Trustee AS with registration number 963 342 624 (the "**Security Agent**").

WHEREAS,

(A) Reference is made to the bond terms dated 30 May 2023 with ISIN NO0012921172 (as amended, restated, supplemented or novated from time to time, the "**Bond Terms**"), entered into between Odfjell Rig III Ltd. as issuer (the "**Issuer**") and Nordic Trustee AS as bond trustee (the "**Bond Trustee**"), pursuant to which the Issuer has issued bonds in the amount of USD 390,000,000 subject to the terms and conditions set out therein (the "**Bond Issue**").

(B) The execution by the Guarantors of this Guarantee is a condition precedent under the Bond Terms for the disbursement of the Net Proceeds to the Issuer.

(C) In connection therewith, the Guarantors have been provided with and have reviewed a copy of the Finance Documents and has agreed to provide this guarantee which is an independent and irrevocable corporate guarantee (Norwegian: *selvskyldnerkausjon*) (the "**Guarantee**").

(D) Capitalised terms used but not defined in this Guarantee shall have the meaning ascribed to them in the Bond Terms.

NOW, THEREFORE, it is agreed as follows:

1. GUARANTEE AND INDEMNITY

The Guarantors hereby irrevocably and unconditionally:

(a) guarantee to the Security Agent (on behalf of itself and the Secured Parties), as and for its own debt as principal obligor and not merely as a surety (Norwegian: “*selvskyldnerkausjon*”), the due and punctual performance of the Issuer and the other Obligors’ obligations under the terms of the Finance Documents (as amended from time to time), including amounts arising as a result of interests, default interests, costs and expenses;

(b) undertake with the Security Agent, on behalf of the Secured Parties, that whenever an Obligor does not pay any amount when due under the Finance Documents, each Guarantor shall immediately on demand from the Security Agent pay that amount as if it was the principal obligor; and

(c) agree to indemnify the Security Agent and the Secured Parties immediately on demand from the Security Agent in respect of any cost, loss or liability suffered by the Security Agent or the Secured Parties due to any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability will not exceed the amount which the terms of the Finance Documents and the Secured Parties would otherwise have been entitled to recover.

(d) Notwithstanding anything to the contrary provided in this Guarantee, the parties agree that the guarantee and security provided hereunder or any other obligations (whether in the form of a guarantee, indemnity, payment and/or set-offs) of the Guarantors incorporated in Norway towards the Security Agent or the Secured Parties shall not extend to any obligation which would otherwise be illegal or voidable financial assistance according to sections 8-7 and 8-10 of the Norwegian Companies Act of 13 June 1997 no. 45 (the "**Norwegian Companies Act**"), it being understood that such guarantee and security shall apply to the fullest extent permitted by those provisions of the Norwegian Companies Act.

2. CONTINUING GUARANTEE

This Guarantee is:

(a) continuing and will extend to the ultimate balance of sums payable by any Obligor under the Secured Obligations, regardless of any intermediate payment or discharge in whole or in part; and

(b) in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Secured Parties.

3. REINSTATEMENT

If any payment by an Obligor or any discharge given by the Security Agent (whether in respect of the obligations of the Obligor or any security for those obligations or otherwise) is avoided or must be restored as a result of insolvency or any similar event:

(a) the liability of the Guarantors shall continue as if the payment, discharge, avoidance or repayment had not occurred; and

(b) the Security Agent shall be entitled to recover the value or amount of that security or payment from the Guarantors, as if the payment, discharge, avoidance or repayment had not occurred.

4. WAIVER OF DEFENCES

The obligations of the Guarantors hereunder shall not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations (without limitation and whether or not known to it, the Security Agent or any Secured Party) including:

(a) any time, waiver or consent granted to, or composition with, an Obligor or other person;

(b) the release of an Obligor or other person under the terms of any composition or arrangement with any creditor of an Obligor;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Issuer or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the issuer or any other person;

(e) any amendment (however fundamental) or replacement of the Finance Documents or any other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under the Finance Documents or any other document or security; or

(g) any insolvency or similar proceedings.

5. IMMEDIATE RECOURSE

Each Guarantor waives any right it may have of first requiring the Security Agent or any Secured Party to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantors. This waiver applies irrespective of any law or any provision of the terms of the Finance Documents the contrary.

6. APPROPRIATIONS

Until all amounts which may be or become payable by an Obligor under or in connection with the Finance Documents have been irrevocably paid in full, the Security Agent may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by the Security Agent or a Secured Party in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantors shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from the Guarantors or on account of the Guarantors' liability under this Guarantee.

7. DEFERRAL OF GUARANTORS' RIGHTS

Until all amounts which may be or become payable by an Obligor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Security Agent otherwise directs, the Guarantors shall not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from the Issuer under the Finance Documents; and/or

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Security Agent or the Secured Parties under the terms of the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents.

8. ADDITIONAL SECURITY

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Security Agent or a Secured Party.

9. GUARANTEE LIMITATIONS

Notwithstanding the obligations of the Guarantors pursuant to this Guarantee, the maximum guarantee liability of the Guarantors hereunder shall always be limited to USD 487,500,000 plus any interest, default interest or other costs, fees and expenses related to the liability of the Guarantors hereunder.

10. NORWEGIAN FA LEGISLATION

Each Guarantor, to the extent it is deemed to be a guarantor pursuant to the Norwegian financial agreements act of 18 December 2020 No. 146 (Nw. *finansavtaleloven*) and the Norwegian regulation on financial agreements of 19 September 2022 No. 1612 (Nw. *finansavtaleforskriften*) (in each case as amended or replaced from time to time) (the "**FA Legislation**"), specifically waives all rights under the provisions of the FA Legislation not being mandatory provisions, including (without limitation) the rights set out in Sections 6-1 to 6-14 of Norwegian financial agreements act of 18 December 2020 No. 146 (Nw. *finansavtaleloven*).

11. NOTICES

Any notice, demand or other communication under this Guarantee shall be made as set out in the Bond Terms.

12. GOVERNING LAW AND JURISDICTION

This Guarantee shall be governed by and interpreted in accordance with Norwegian law, with venue as set out in Clause 20.2 of the Bond Terms.

[signature page follows on next page]

[Signature page – Guarantee]

	ODFJELL INVEST AS As Guarantor		DEEP SEA ATLANTIC (UK) LTD As Guarantor
Signature:	Madeleine L. Finstad	Signature:	Madeleine L. Finstad
Name:	Madeleine L. Finstad	Name:	Madeleine L. Finstad
Title:	Attorney-in-fact	Title:	Attorney-in-fact
Place, date:	Oslo __ 2023	Place, date:	Oslo __ 2023

Schedule 1

Overview of Guarantors

Name of Guarantor	Registration number (or equivalent, if any) and jurisdiction
Deep Sea Atlantic (UK) Ltd (Rig Owner)	Company registration number 10589884, England
Odfjell Invest AS (CharterCo)	Company registration number 989 118 765, Norway

Appendix C – Credit Ratings

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
8 May 2023

New Issue

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RATINGS

Odfjell Drilling Ltd.

Domicile	Bermuda
Long Term Rating	B2
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Odfjell Drilling Ltd.

Niche offshore driller with quality assets and strong metrics amidst improving industry fundamentals

Summary

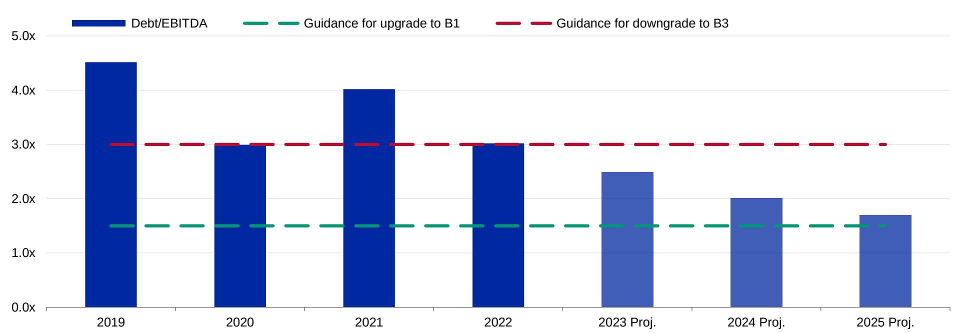
The B2 corporate family rating (CFR) assigned to Odfjell Drilling Ltd (ODL) reflects the company's (i) well established position as a provider of offshore drilling services with a long operational track record; (ii) high-quality and young rig fleet with significant collateral value and competitive advantages; (iii) exposure to improving deep-water drilling market conditions; (iv) firm order backlog of $1.7 billion as of May 2023, which provides good medium-term revenue and cash flow visibility (v) pro-forma gross leverage (defined as debt to EBITDA, Moody's-adjusted) of 3.0x, which is modest but expected to decline over time through a combination of earnings growth and debt amortisation. We expect ODL will continue to adhere to conservative financial policies, including holding net leverage below 2.5x as well as prudently managing shareholder distributions and growth spending.

Concurrently, ODL's CFR is constrained by the company's (i) reliance on volatile upstream oil and gas spending, potentially conducive to fleet re-contracting risk; (ii) small fleet of eight units; (iii) high geographic and customer concentration, given that the owned fleet is currently entirely contracted to support Norwegian operations of two customers, Equinor ASA (Aa2 stable) and Aker BP ASA (Baa2 stable) and (iv) some uncertainty with regards to future dividend policy, yet to be established.

Exhibit 1

We expect ODL's leverage to remain well within our rating guidance for the B2 rating

Evolution of historic and projected gross debt/EBITDA, Moody's-adjusted



Datapoints from 2021 onwards exclude EBITDA contribution from businesses disposed in early 2022.
Source: Moody's Financial Metrics™, Moody's Investors Service

Credit strengths

- » Established presence in Norway, enabled by long-standing relationships with Equinor and Aker BP
- » High-quality and relatively young fleet with harsh environment, as well as deep and ultra-deep water capabilities
- » Track record of positive earnings and cashflow generation through recent industry downturns
- » History of conservative financial policies
- » Strong financial metrics and good liquidity on a pro-forma basis

Credit challenges

- » Exposure to inherently volatile oil and gas upstream spending
- » Exclusive focus on niche segment of offshore drilling activities
- » Small fleet, adding to high customer and geographic concentration
- » Re-contracting risk on certain rigs in the medium term
- » Some uncertainty with regards to future financial policy

Rating outlook

The stable outlook reflects our expectation that ODL will maintain strong credit metrics by successfully re-contracting its rigs, generating sufficient free cash flow to satisfy debt servicing requirements. The stable outlook also reflects our expectation of ODL maintaining a prudent approach towards capital allocation, including shareholder remuneration and growth spending.

Factors that could lead to an upgrade

ODL's ratings could be upgraded if the company:

- » Achieves larger scale as well as longer duration of contracts in a healthy industry environment
- » Sustains a track record of strong profitability at least in line with current levels and
- » Maintains a strong balance sheet with leverage trending towards 1.5x, sustained strong positive FCF generation and prudent shareholder distributions

Factors that could lead to a downgrade

Conversely, ODL's ratings would be downgraded if the company's:

- » Earnings and backlog deteriorate materially, leading to gross leverage sustainedly in excess of 3.0x and EBITDA / Interest expense falls below 3x
- » FCF generation turns negative, as a result of weaker operating performance or more aggressive than currently anticipated financial policies or
- » Liquidity position weakens

Key indicators

Exhibit 2
Odfjell Drilling Ltd.

USD million	2019	2020	2021	2022	2023 Proj.	2024 Proj.	2025E
EBITDA	319.8	421.9	270.7	301.6	313.8	318.5	326.5
Assets	2,678.5	2,640.5	2,515.2	2,219.3	2,133.9	2,053.8	1,944.0
EBIT Margin	16.4%	23.4%	20.9%	20.0%	17.4%	17.6%	18.4%
EBITDA / Interest	3.6x	6.3x	5.4x	6.1x	4.4x	4.9x	5.8x
Debt / EBITDA	4.5x	3.0x	4.0x	3.0x	2.5x	2.0x	1.7x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Projections (Proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™; Moody's Investors Service estimates

Profile

Odfjell Drilling Ltd. provides offshore contract drilling services to the oil and gas industry. The company operates a modern fleet of eight 6th-generation semi-submersibles (four owned, four under management) with harsh environment capabilities and an average age of 8.5 years. In 2022, ODL generated revenue of $650 million and Moody's-adjusted EBITDA of $302 million.

Founded in 1973, ODL is 60.37% owned by Odfjell Partners Holding LTD (ultimately owned by Helene Odfjell) while the rest is free float listed on the Oslo Stock Exchange. As of 8 May 2023, ODL had a market capitalisation of $545 million.

Detailed credit consideration

Established position in Norway; small scale mitigated by good customer base and resilient utilisation rates

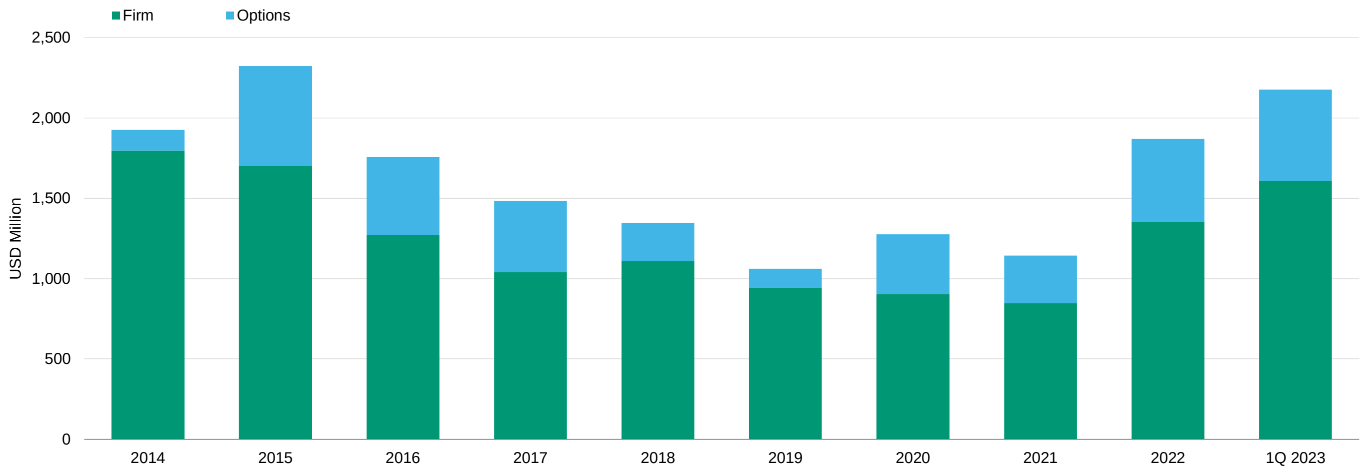
ODL's fleet is evenly split between four owned units and four rigs that the company manages on behalf of third parties. All rigs are modern 6th generation semi-submersibles with harsh environment capabilities; while they are typically deployed in deepwater environment, they are technologically advanced to cater for select work in both shallow and ultra-deep water depths. Additionally, ODL's fleet meets stringent regulatory and technical requirements needed to operate on the Norwegian Continental Shelf (NCS), which create barriers to entry and favoured the establishment of ODL's strong local operational footprint over time.

ODL's fleet is smaller and less diversified by rig type than that of similarly rated drillers Noble Finance II LLC(B1 stable), Nabors Industries Ltd. (B2 positive) and Valaris Limited (B2 positive); as a result, the company's backlog exhibits a high degree of customer and geographic concentration going forward. That said, we take into consideration some mitigating factors: (i) the deepwater drilling market consists of a few dozen large, generally very well capitalized upstream customers while the number of rig providers is considerably smaller. Though ODL and most of its major competitors actively seek business from all operators, concentration among a few key customers is typically hard to avoid; (ii) key customers Equinor and Aker BP are Norway's top two largest hydrocarbon producers with rich pipelines of projects on the NCS. This provides a wide opportunity set for ODL to secure new work, also given the company's long-standing relationships with both customers; (iii) coupled with the company's ability to secure work through the cycle, the small fleet size prevented ODL from stacking rigs during recent downturns. The resulting very high utilisation rates translated into consistently strong earnings and cash flow generation over the past few years; (iv) the company significantly increased the number of rigs under management (in exchange for a fixed fee) during 2022. The fixed management fee that ODL receive per managed unit is significantly lower than the day-rates earned on owned rigs; as such, rigs under management do not meaningfully diversify ODL's earnings and cash flows, yet they add to ODL's operational track record and customer awareness beyond the NCS.

Strengthening backlog given rising upstream spending and tight rig supply

The offshore drilling industry, particularly the floater market, tightened considerably in 2022-23 following a protracted cyclical downturn since 2014. Day-rates and global rig utilization have been rising from low levels since early 2021 as global energy prices have remained elevated and upstream companies have steadily raised spending on offshore assets. ODL has benefitted from such development and its backlog (including both firm work and options) increased sharply from $1.1bn as at the end of 2021 to $2.3bn as of May 2023 (see Exhibit 3), providing increased visibility into earnings and cash flow generation for the upcoming years.

Exhibit 3
ODL's backlog has almost doubled compared to end of 2021



Source: Company data

We expect offshore exploration, development and project sanction activities to stay healthy through 2024 based on our view of tight global oil supply. Demand for offshore drilling should remain robust as hydrocarbons continue to contribute to the global energy mix and development of new oilfields is necessary to replace depleting assets. The rig supply side is also tight despite some persistent idle capacity. Notwithstanding the improvement, the current pricing environment does not support the re-activation of cold-stacked unit, due to high associated costs and lengthy payback periods. Finally, orders for newbuilds are also unlikely to materialise due to capacity constraints on shipyards and low availability of construction financing, resulting in material upfront equity contribution and significantly higher day-rates required to justify the investment in new capacity.

Specifically to Norway, we expect demand for drilling services to remain particularly robust on account of significant sanctioning of projects supported by the country's stable and favourable tax regime for exploration and development activities. Of the 22 semi-submersibles currently capable to operate on the NCS, 6 units are contracted for work outside of North Sea and a few others could leave the region, constraining further the supply and support higher day-rates for incumbent drillers like ODL.

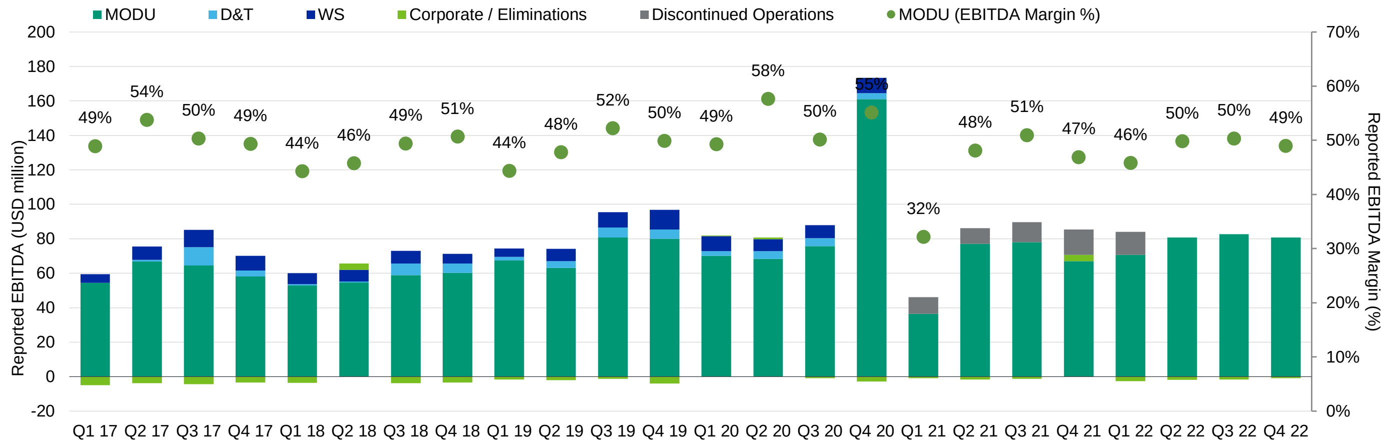
Strong operational track record and improving credit metrics

All units within ODL's current owned fleet have been operating almost seamlessly on both short and long term contracts since delivery, with minimal time spent out of contracts and average utilization of 97%-99% through the cycle. As a result, the company generated positive EBITDA and free cash flow (FCF, as defined by Moody's) notwithstanding the prolonged industry downturn since 2014 and the sharp oil price correction of early 2020 (see Exhibit 4). The absence of idle time during industry downturns also reflected in healthy average EBIT and EBITDA margins (both Moody's-adjusted) on a historical basis.

Exhibit 4

ODL's drilling services operated almost seamlessly over the past five years, generating positive EBITDA

Quarterly evolution of reported EBITDA, split by reporting segment



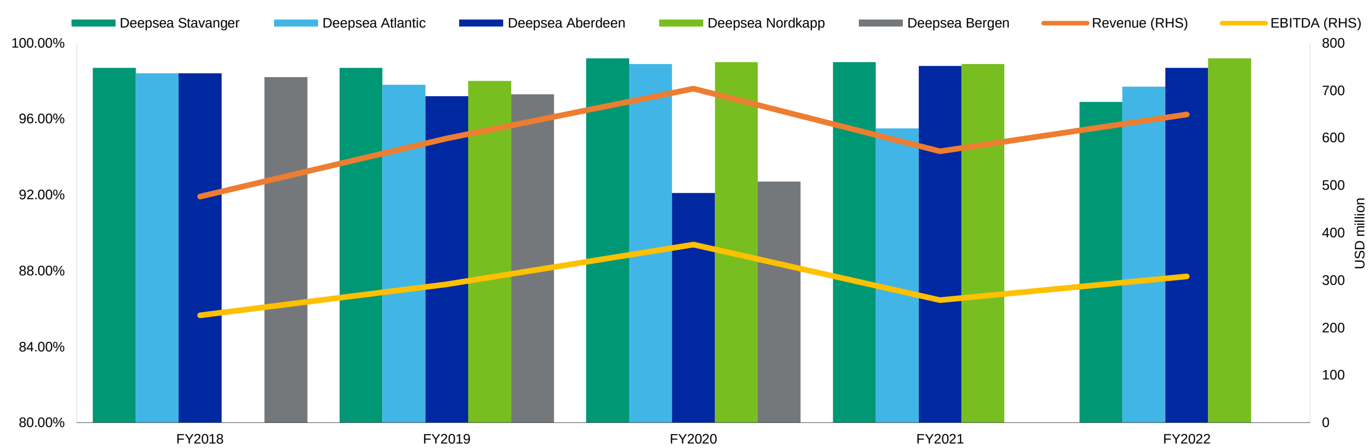
MODU: Mobile Offshore Drilling Units; D&T: Drilling & Technology (disposed in 2022); WS: Well Services (disposed in 2022)

Source: Company reports

Revenue for the full-year 2022 increased to $650 million from $572 million in 2021 owing to higher contribution from Deepsea Stavanger, which in 2022 spent less time in transit and between contracts than in 2021, and addition of three units to the managed fleet. ODL reported EBITDA of $308.0 million (47.4% margin) in 2022, compared to $258.4 million (45.2%) in 2021; such a margin improvement was driven by revenue growth as well as 2021 costs being affected by timing of recognition of certain demobilization costs.

Exhibit 5

Evolution of own fleet's financial utilization, revenue and EBITDA



Note: FY2018-FY2020 revenue and EBITDA represents numbers reported under MODU segment; Deepsea Bergen was decomissioned in March 2020

Source: Company data

ODL's cash conversion has historically been strong due to limited cash consumption, with main outflows represented by interests, as well as capital expenditure in relation to maintenance, special periodic surveys (SPS, structural investigations and inspections to ensure asset's integrity) and equipment upgrades. ODL generated $188 million of Moody's adjusted FCF in 2022 and $144 million in 2021, as a result of strong operating cashflow generation and modest capital investments of, respectively $85 million and $109 million. The negative FCF generation in 2018 and 2019 reflects the $600 million acquisition of the newbuild Deepsea Nordkapp, which was funded with a combination of preferred equity issuance and debt (40/60 split). Sustained positive and strong EBITDA generation coupled with continued debt reduction drove ODL's gross leverage down to 3.0x in 2022 from 4.5x in 2019. Concurrently, interest cover (measured as EBITDA / interest expense) strengthened considerably to 6.1x from 3.6x, also reflecting the progressive reduction in the company's interest expense in relation to the amortising debt structure.

Strong FCF generation enables projected deleveraging despite some recontracting risks

Out of ODL's owned rigs, Deepsea Atlantic and Deepsea Aberdeen are firmly contracted at least until the end of 2024 (with the latter working until Q2 2025); Deepsea Nordkapp's firm contract ends in the second half of 2024 while Deepsea Stavanger's firm work terminates in early 2024 before commencing multi-year firm work with Aker BP in 2025 through 2030. Both these rigs are under option with current customers, subject to extention upon pricing agreement. Should customers opt out, we see potential for re-contracting risk materialising in 2024. Absent major contract cancellations and assuming successful replacement of work rolling off with new profitable awards, ODL's profitability is expected to remain healthy through the medium term as increasing days-rates offset some margin dilution arising from managed rigs and slightly lower average utilisation on the back of planned SPSs across 2023 through 2025.

Under Moody's base case, ODL shall continue to generate strong positive free cash flow (FCF) in the range of $115-$120 million, despite peak capital investments of $75 million and $105 million in 2023 and 2024 and higher interest expense post-refinancing. Nevertheless, we expect FCF generation to comfortably cover debt amortisation requirements while allowing the retention of cash availabilities commensurate with the business requirements.ODL's pro-forma leverage of 3.0x is moderately high for the rating but expected to quickly decline towards 2.0x – 2.5x in the next 12-18 months, assuming moderate but continued increase in revenue and earnings as well as around $200 million of cumulative scheduled debt reduction through the end of 2024. Interest cover shall weaken, albeit temporarily and moderately to 4.5x - 5.0x driven by higher financing costs in the current high interest rate environment.

Demonstrated commitment to conservative financial policies, expected to continue

Our credit assessment factors in ODL's conservative financial policy along with a strong track record of abiding by the latter. Our qualitative score of Ba reflects historic evidence of the company's (i) prioritisation of balance sheet strength over shareholder remuneration; (ii) prudent funding of newbuilds' acquisitions and (iii) maintenance of cash balances well in excess of the business requirements. As a result, ODL's reported net leverage tracked consistently below 4.0x since 2017. Looking ahead, we expect ODL to maintain a conservative approach to capital allocation, noting the net leverage target of below 2.5x in particular. Despite some uncertainty with regards to the yet to be established longer-term dividend policy,l we expect first dividend payments to occur in 2025 at the earliest, past the nearer-term peak capital spending for SPS.

ESG considerations

Odfjell Drilling Ltd.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 6
ESG Credit Impact Score

CIS-3
Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

ODL's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time driven by carbon transition risks and demographic & societal trend risks. Net of some uncertainty around ODL's future dividend policy (yet to be established), governance considerations reflect the company's conservative financial policies and track record of abiding by the latter, partially offset by a concentrated shareholding structure.

Exhibit 7
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-4	S-4	G-3
Highly Negative	Highly Negative	Moderately Negative

Source: Moody's Investors Service

Environmental

ODL faces high exposure to carbon transition, given that its earnings are entirely generated from oil and gas customers. Moreover, given the high breakeven costs for offshore exploration and production, the company is more susceptible to carbon transition risk than the land based OFS companies. ODL faces moderate exposure to physical climate risk stemming from its assets' location in harsh environments. Other environmental risks are moderate as they are largely indemnified by their producer customers.

Social

Similar to most oilfield services companies, ODL faces high exposure to social risks ultimately attributable to increasing demographic & societal pressures to reduce hydrocarbon production. Growing public concern around climate change, including air and water quality could lead to stricter future regulations and/or higher costs for producers limiting demand for oilfield services. This risk is partially offset by the company's low to moderate exposure to other social risk factors such as human capital, customer relations, responsible production and health and safety.

Governance

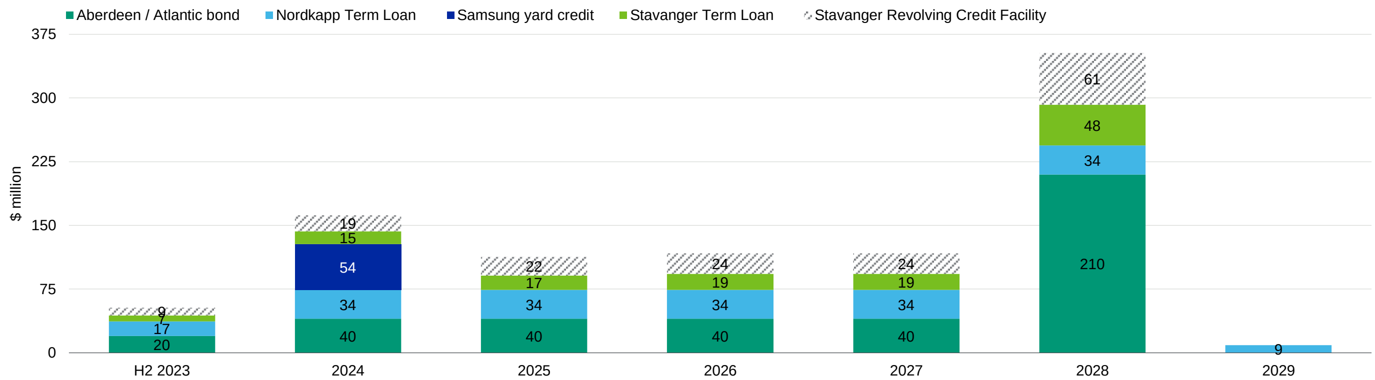
ODL's **G-3** score reflects the company's conservative financial policies, credible track record and strong liquidity position, partially offset by its concentrated ownership structure with one major shareholder holding around 60% of ODL's capital and a somewhat complex organizational structure that is typical of drilling services companies but entails significant related-party transactions.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

ODL's liquidity is good, assuming the comprehensive refinancing of the company's capital structure concludes successfully as planned. Under our base case, ODL's cashflow generation is projected to cover all basic funding needs over the next 12-18 months including scheduled debt amortisation of $45 million in the second half of 2023 and $145 million in 2024. Additionally, the company will have access to a $160 million senior revolving credit facility (RCF) secured by the Deepsea Stavanger, which is expected to remain largely undrawn. Finally, we expect ODL to maintain good headroom under its financial covenants including maintenance of (i) unrestricted cash balances above $50 million; (ii) equity to total assets above 30% and (iii) current assets to current liabilities (excluding those related to financial debt) above 1x.

Exhibit 8
Debt maturity schedule
Pro-forma for the refinancing



Note: Revolving Credit Facility represent amortisation of committed amounts.
Source: Company data

Structural considerations

The B2 instrument rating of the $390 million senior secured notes to be issued by ODL's indirectly wholly-owned subsidiary Odfjell Rig III Ltd. is in line with ODL's CFR. This reflects the notes' (i) first lien claim on the assets of ODL's subsidiaries that own and operate the Deepsea Aberdeen and the Deepsea Atlantic semi-submersibles and (ii) ranking pari passu with other secured obligations of the issuer. The B2 instrument rating also reflects the absence of material claims ranking behind the company's secured obligations.

Rating methodology and scorecard factors

The principal methodology used in assigning the rating to ODL was Oilfield Services published in January 2023. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology. The B2 rating assigned is two notches below the scorecard indicated outcome and reflects ODL's small scale and customer and geographic concentration, as well as medium-term re-contracting risk on select rigs.

Exhibit 9

Rating factors

Odfjell Drilling Ltd.

Energy Oilfield Services Industry Scorecard [1][2]	Current FY 12/31/2022		Moody's 12-18 Month Forward View As of 5/2/2023 [3]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) EBITDA (USD Million)	$301.6	B	$315 - $325	B
b) Assets (USD Billion)	$2.2	B	c. $2.1	B
Factor 2 : Business Profile (30%)				
a) Business Profile	B	B	B	B
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin	20.0%	A	17% - 18%	Baa
Factor 4 : Leverage and Coverage (20%)				
a) EBITDA / Interest	6.1x	Ba	4.5x - 5x	Ba
b) Debt / EBITDA	3.0x	Ba	2x - 2.5x	A - Baa
Factor 5 : Financial Policy (20%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba3		Ba3
b) Actual Rating Assigned				B2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 12/31/2022. [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
ODFJELL DRILLING LTD.	
Outlook	Stable
Corporate Family Rating	B2
ODFJELL RIG III LTD.	
Outlook	Stable
Bkd Senior Secured	B2/LGD3

Source: Moody's Investors Service

Exhibit 11
Select credit metrics

(in USD million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	Proj. Dec-23	Proj. Dec-24	Proj. Dec-25
INCOME STATEMENT							
Revenue	823	930	572	650	708	720	732
EBITDA	320	422	271	302	314	318	327
EBIT	135	218	119	130	123	127	135
Interest Expense	89	67	50	50	71	65	56
BALANCE SHEET							
Cash & Cash Equivalents	140	193	159	149	141	117	121
Total Debt	1,445	1,263	1,089	911	781	640	554
Net Debt	1,305	1,070	930	763	640	524	433
CASH FLOW							
Funds from Operations (FFO)	239	347	255	279	207	249	263
Cash Flow From Operations (CFO)	192	349	257	275	213	246	263
Capital Expenditures	(431)	(120)	(109)	(85)	(97)	(127)	(70)
Dividends	4	4	4	2	0	0	100
Retained Cash Flow (RCF)	235	343	251	276	207	249	163
RCF / Debt	16.3%	27.2%	23.1%	30.3%	26.5%	38.9%	29.5%
Free Cash Flow (FCF)	(243)	225	144	188	116	119	93
FCF / Debt	-16.8%	17.8%	13.2%	20.6%	14.8%	18.5%	16.8%
PROFITABILITY							
EBIT margin %	16.4%	23.4%	20.9%	20.0%	17.4%	17.6%	18.4%
EBITDA margin %	38.8%	45.4%	47.3%	46.4%	44.3%	44.2%	44.6%
INTEREST COVERAGE							
EBIT / Interest Expense	1.5x	3.3x	2.4x	2.6x	1.7x	2.0x	2.4x
EBITDA / Interest Expense	3.6x	6.3x	5.4x	6.1x	4.4x	4.9x	5.8x
LEVERAGE							
Debt / EBITDA	4.5x	3.0x	4.0x	3.0x	2.5x	2.0x	1.7x
Net Debt / EBITDA	4.1x	2.5x	3.4x	2.5x	2.0x	1.6x	1.3x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Projections (Proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™, Moody's Investors Service

Exhibit 12
Peer Comparison

	Odfjell Drilling Ltd. B2 Stable			Noble Finance LLC B1 Stable	Valaris Limited B2 Positive			Vantage Drilling International B3 Stable			Transocean Inc. Caa1 Positive		
(in USD million)	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-22	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-20	FYE Dec-21	FYE Dec-22
Revenue	930	572	650	1,431	1,427	1,232	1,603	127	158	279	3,152	2,556	2,575
EBITDA	422	271	302	341	(156)	110	169	(36)	(15)	19	1,196	946	852
Total Assets	2,640	2,515	2,219	5,226	12,873	2,603	2,860	786	699	579	21,757	20,631	20,363
Total Debt	1,263	1,089	911	713	321	761	719	350	350	181	9,053	8,247	7,981
Cash & Cash Equivalents	193	159	149	476	326	609	724	142	73	74	1,154	976	683
EBIT margin %	23.4%	20.9%	20.0%	16.1%	-50.7%	-10.8%	4.7%	-85.6%	-46.4%	-9.6%	6.2%	-0.8%	-0.2%
EBIT / Assets	8.3%	4.7%	5.9%	4.4%	-5.6%	-5.1%	2.6%	-13.8%	-10.5%	-4.6%	0.9%	-0.1%	0.0%
EBITDA / Interest Expense	6.3x	5.4x	6.1x	7.6x	-0.5x	2.2x	2.7x	-1.0x	-0.4x	0.6x	1.8x	1.8x	1.3x
Debt / EBITDA	3.0x	4.0x	3.0x	2.1x	-2.1x	6.9x	4.2x	-9.7x	-23.5x	9.4x	7.6x	8.7x	9.4x

All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt reconciliation

(in USD million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
As Reported Total Debt	1,437	1,256	1,083	911
Pensions	8	7	6	1
Moody's Adjusted Total Debt	1,445	1,263	1,089	911

Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA reconciliation

(in USD million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
As Reported EBITDA	321	421	271	315
Unusual Items - Income Statement	(1)	0	0	(14)
Pensions	0	0	0	0
Moody's Adjusted EBITDA	320	422	271	302

Source: Moody's Financial Metrics™

REPORT NUMBER 1365857

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

Credit rating Moodys

Research Update:

Odfjell Drilling Rated Preliminary 'B+'; Outlook Stable; Proposed Bond Rated 'BB'

May 8, 2023

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Rating Action Overview

- Oslo Stock Exchange-listed offshore drilling company Odfjell Drilling Ltd. has launched an offering for a $390 million five-year senior secured first-lien bond and plans to use the proceeds to partly refinance its existing debt instruments.
- The planned bond issue, together with the extension and refinancing of the bank facilities for the Deepsea Stavanger and Deepsea Nordkapp rigs, will fully refinance all of the company's interest-bearing debt.
- We assigned our preliminary 'B+' long-term issuer credit rating to Odfjell Drilling.
- We also assigned our preliminary 'BB' issue and '1' recovery ratings to Odfjell Drilling's proposed $390 million senior secured first-lien bond. The '1' recovery rating indicates our expectation of very high (90%-100%; rounded estimate: 95%) recovery of principal in the event of a payment default.
- The stable outlook reflects our view that Odfjell Drilling's credit measures will remain commensurate with the ratings over the next 12 months, with debt to EBITDA below 3x, supported by a continued gradual pick-up in offshore drilling and robust cash flow visibility over the coming years.

Rating Action Rationale

Odfjell Drilling will likely remain a small-scale driller with significant asset concentration. With only four rigs of its own, along with four managed rigs, we see Odfjell Drilling as exposed to risks arising from its dependence on a high share of EBITDA from each unit. This is a key negative consideration for Odfjell Drilling compared to its larger peers, since unforeseen events that hampered Odfjell Drilling's ability to operate one or more rigs would have a material impact on its cash flows.

Above-average operating efficiency and profitability support the ratings. While Odfjell Drilling's fleet is small, we believe that it is very well managed, with an overall utilization rate of close to 99% over the past few years. This, combined with the rigs' high technological specifications, allows the company to contract the rigs more often and at higher day rates than peers. This supports Odfjell Drilling's superior profitability, with EBITDA margins over 40% on average.

Activity in the drilling markets continues to pick up. We expect that the current commodity prices, supply and demand fundamentals for crude oil, and a renewed focus on global energy security will support a continued gradual increase in offshore drilling spending and activity. Over the longer term, we believe the energy transition will challenge the offshore drilling sector because customers may become less willing to commit capital to multi-year greenfield projects due to the risk of waning oil demand. However, with operations in Norway largely encouraged by the state, we believe Odfjell Drilling is in a relatively strong position.

With a backlog of $2.3 billion, of which $1.7 billion is firm, we think that Odfjell Drilling can generate EBITDA of about $350 million in the coming two-to-three years. This will provide ample headroom for capital expenditure (capex) and potential dividends. Odfjell Drilling's strong customer relationships, notably with Equinor and Aker BP, lead us to believe that the company has a superior ability to contract the rigs, even at low points of the cycle.

Odfjell Drilling takes a prudent approach to its balance sheet in the context of high industry volatility. Despite drilling being a boom-and-bust type of industry, Odfjell Drilling is less prone to great EBITDA variations, thanks to its long-term contracts with clients, as well as the harsh environmental conditions in Norway, which limit the number of rigs that can work there. Odfjell Drilling went through the previous industry downturn without experiencing a default or distressed exchange. We therefore believe that its prudent leverage target of net debt to EBITDA of 2.5x over the cycle, and the absence of dividend payments if debt to EBITDA is above 3.0x, support the rating.

Outlook

The stable outlook reflects our expectation that Odfjell Drilling will reduce its leverage amid supportive market conditions, providing it with the scope to face headwinds at lower points in the cycle. We believe that Odfjell Drilling's fleet of rigs will continue to achieve above-average utilization and efficiency rates. We anticipate debt to EBITDA in the 2x-3x range, which is commensurate with the 'B+' rating.

Downside scenario

We could lower our ratings on Odfjell Drilling if we anticipate weaker credit measures, such as debt to EBITDA consistently above 3x or funds from operations (FFO) to debt below 30%. This could occur if:

- Weaker commodity prices impair demand for offshore drilling services, making it more challenging for the company to re-contract its rigs at favorable day rates; and
- Odfjell Drilling adopts a more aggressive financial policy on dividends and capital spending.

Upside scenario

We view rating upside as limited in view of Odfjell Drilling's asset and geographic concentration.

Such upside is linked to increased scale and cash flow generation, with less dependence on individual assets. Rating upside could also arise if the company's financial policy targets were to become much more stringent, for example, with a capital structure that was close to being free of net debt so that debt to EBITDA would be below 1.5x at all points of the cycle.

Company Description

Founded in 1973, but with roots dating back to 1914, and headquartered in Aberdeen, Scotland., Odfjell Drilling owns and operates mobile offshore drilling units in Norway and Namibia. As of Dec. 31, 2022, the company employed 1,358 people. Through its various subsidiaries, Odfjell Drilling has eight rigs in total, four that it owns and four that it operates under management contracts.

The company operates through two main segments, Own Fleet and External Fleet. The drilling operations and management of Odfjell Drilling 's own rigs reflect contracted day rates and additional incentives. Odfjell Drilling only offers operational management to the owners of the rigs in the external fleet, for which it receives a management fee. Although limited, the customer base mostly consists of tier 1 exploration and production companies like Equinor, Aker BP, Exxon, and Shell.

Odfjell Drilling is a publicly traded company with all its ordinary shares listed on the Oslo Stock Exchange. Its majority owner is Ms. Helene Odfjell, who holds more than 60% of the publicly traded shares through Odfjell Partners Holding Ltd. No other shareholder owns more than 2.5% of the shares.

Our Base-Case Scenario

Assumptions

- Revenue of about $700 million-$800 million per year in 2023-2024.
- The execution of the current rig contracts and options, with 95%-100% utilization of Odfjell Drilling 's own rigs.
- All-in day rates of about $400,000 in 2023-2025.
- EBITDA margins of 40%-45% in 2023, improving slightly in 2024.
- Capex of about $75 million in 2023 and $100 million in 2024; and
- Dividends of $0 million-$50 million in 2024 and 2025.

Key metrics

- Average FFO to debt of 35%-40% in 2023 and 2024;
- Average debt to EBITDA of about 2.0x-2.5x in 2023 and 2024; and
- Positive free operating cash flow of $140 million-$160 million per year over the next two years.

Liquidity

We assess Odfjell Drilling 's liquidity as adequate and expect sources of funds to exceed uses by more than 1.2x over the next 12 months. In addition, we expect that sources would exceed uses even if our projected EBITDA figure were to decline by 15%. The proposed refinancing is in line with our liquidity assessment, which is limited by qualitative factors such as the company's limited ability to absorb high-impact, low-probability events without refinancing and its satisfactory standing in credit markets.

We assess liquidity using Odfjell Drilling's pro forma balance sheet values as of Dec. 31, 2022:

- The proposed $390 million senior secured bond;
- The $197 million senior secured term loan facility for Deepsea Nordkapp;
- The $285 million senior secured facilities for Deepsea Stavanger, with a $160 million revolving credit facility tranche and a $125 million term loan tranche; and
- The repayment of $551 million in senior loans, $100 million in junior loans, a $95 million loan from Aker BP, a $51 million credit facility from Samsung Yard, and $20 million of seller's credit from oil services company Akastor.

Principal liquidity sources

- Cash and cash equivalents of about $157 million, of which $50 million is not available for debt repayment because of a minimum liquidity covenant;
- FFO of about $190 million-$200 million over the next 12 months; and
- Total new debt of $872 million that Odfjell Drilling received in the second quarter of 2023.

Principal liquidity uses

- Debt maturities of $848 million, including the repayment of the existing debt and the amortization of the new debt;
- Capex of about $75 million over the next 12 months; and
- No working capital requirements or dividend distributions over the next 12 months.

Covenants

The proposed bond and term loan in Odfjell Drilling 's pro forma debt structure have the following covenants:

- An equity ratio of 30% or more, with minimum equity of $600 million;
- A leverage ratio of 5.0x or less (the ratio is currently above 1.0x); and
- Free liquidity of $50 million or more.

We expect Odfjell Drilling to have ample headroom under these covenants over the next 12 months.

Environmental, Social, And Governance

ESG credit indicators: E-4, S-2, G-2

Environmental factors are a negative consideration in our credit rating analysis of Odfjell Drilling due to our expectation that the energy transition will reduce the demand for offshore drilling rigs and services, as accelerating adoption of renewable energy lowers the need for fossil fuels. In view of Odfjell Drilling's exposure to the offshore drilling market, the company faces higher environmental risks than onshore rig contractors due to its susceptibility to operational interruptions and damage to its equipment in its harsh operating environments. However, we believe that Odfjell Drilling's operational track record in Norway partly mitigates these risks. Social factors are a neutral consideration in our ratings on Odfjell Drilling thanks to the company's safety record and presence in very low-risk countries, notably Norway. Governance factors are a neutral consideration for Odfjell Drilling due to its historically conservative approach to leverage and long track record of successful operations.

Issue Ratings--Recovery Analysis

Key analytical factors

- We assigned our preliminary 'BB' issue rating to Odfjell Drilling's proposed $390 million senior secured bond due 2028.
- The preliminary '1' recovery rating on the senior secured bond indicates our expectation of very high (90%-100%; rounded estimate: 95%) recovery of principal in the event of a payment default. This recovery rating leads us to apply a two-notch upward adjustment to the 'B+' issuer credit rating to arrive at our 'BB' issue rating.
- Our hypothetical default scenario contemplates a prolonged deterioration in cash flow as capital spending on offshore oil and gas exploration and production declines significantly and demand for offshore drilling services decreases.
- We value Odfjell Drilling using a discrete asset-based approach, which is consistent with our treatment of other contract drilling companies. We assume a 5% annual depreciation rate and a 50% realization rate on the company's drilling equipment, based on third-party valuations.

Simulated default assumptions

- Simulated year of default: 2027
- Insolvency jurisdiction: The company is headquartered in Aberdeen, Scotland, U.K., which we rank in Group A
- Simplified waterfall
- Net enterprise value (after 5% administrative costs): $714 million
- Obligor split between A/B/C: 50%/26%/24%
- Total collateral value available for the secured debt: $450 million

- Total senior secured debt of obligor A: $231 million*
- --Recovery expectation: 90%-100% (rounded estimate: 95%, capped)

*All debt amounts include six months of prepetition interest.

Ratings Score Snapshot

Issuer Credit Rating	B+(prelim)/Stable/--
Business risk:	Weak
Country risk	Very low
Industry risk	Moderately high
Competitive position	Weak
Financial risk:	Aggressive
Cash flow/leverage	Aggressive
Anchor	b+
Modifiers:	
Diversification/Portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile:	b+

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments , April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers , Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments , Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers , Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology , Nov. 19, 2013
- General Criteria: Methodology: Industry Risk , Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions , Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities , Nov. 13, 2012

Ratings List

New Rating	
Odfjell Drilling Ltd.	
Issuer Credit Rating	B+ (prelim)/Stable/--
Senior Secured	BB (prelim)
Recovery Rating	1(95%)

Credit rating S&P

Appendix D – Memorandum of Association of Odfjell Rig III Ltd.

FORM NO. 6 **Registration No. 45961**

QUO FATA FERUNT

BERMUDA

CERTIFICATE OF INCORPORATION

I hereby in accordance with section 14 of ***the Companies Act 1981*** issue this Certificate of Incorporation and do certify that on the **9th** day of **November 2011**

Odfjell Rig III Ltd.

was registered by me in the Register maintained by me under the provisions of the said section and that the status of the said company is that of an **exempted** company.

Given under my hand and the Seal of the REGISTRAR OF COMPANIES this **15th** day of **November 2011**

For **Acting Registrar of Companies**

FORM NO. 2

BERMUDA
THE COMPANIES ACT 1981

MEMORANDUM OF ASSOCIATION OF COMPANY LIMITED BY SHARES

(Section 7(1) and (2))

MEMORANDUM OF ASSOCIATION OF

Odfjell Rig III Ltd.
(hereinafter referred to as "the Company")

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.

2. We, the undersigned, namely,

NAME	ADDRESS	BERMUDIAN STATUS (Yes/No)	NATIONALITY	NUMBER OF SHARES SUBSCRIBED
Michael G. Frith	Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Yes	British	One
David J. Doyle	"	Yes	British	One
Michael B. Ashford	"	Yes	British	One

do hereby respectively agree to take such number of shares of the Company as may be allotted to us respectively by the provisional directors of the Company, not exceeding the number of shares for which we have respectively subscribed, and to satisfy such calls as may be made by the directors, provisional directors or promoters of the Company in respect of the shares allotted to us respectively.

3. The Company is to be an **exempted** company as defined by the Companies Act 1981 (the "Act").

4. The Company, with the consent of the Minister of Finance, has power to hold land situate in Bermuda not exceeding ___ in all, including the following parcels:- **N/A**

5. The authorised share capital of the Company is US$10,000.00 divided into shares of US$1.00 each.

6. The objects for which the Company is formed and incorporated are unrestricted.

7. Subject to paragraph 4, the Company may do all such things as are incidental or conducive to the attainment of its objects and shall have the capacity, rights, powers and privileges of a natural person, and –

   (i) pursuant to Section 42 of the Act, the Company shall have the power to issue preference shares which are, at the option of the holder, liable to be redeemed;

   (ii) pursuant to Section 42A of the Act , the Company shall have the power to purchase its own shares for cancellation; and

   (iii) pursuant to Section 42B of the Act, the Company shall have the power to acquire its own shares to be held as treasury shares.

Signed by each subscriber in the presence of at least one witness attesting the signature thereof

(Subscribers) (Witnesses)

SUBSCRIBED this 8 day of November, 2011

Appendix E – Bye-Laws of Odfjell Rig III Ltd.

AMENDED

BYE-LAWS

OF

ODFJELL RIG III LTD.

Adopted:	**27 March 2013**
Amended: (20, 45, 54, 56, 57)	**11 December 2018**

TABLE OF CONTENTS

CHANGES TO CONSTITUTION

INTERPRETATION

1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981 as amended from time to time;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
Company	the company for which these Bye-laws are approved and confirmed;
Director	a director of the Company and shall include an Alternate Director;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of members referred to in these Bye-laws;

Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary; and
Secured Institution	Has the meaning attributed to that term in Bye-law 12.7;
Treasury Share	a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled.

1.2 In these Bye-laws, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and *vice versa*;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:-

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof; and

(f) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares on such terms and conditions as it may determine and any shares or class of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe.

2.2 Subject to the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board (before the issue or conversion).

3. Power of the Company to Purchase its Shares

3.1 The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

3.2 The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Act.

4. Rights Attaching to Shares

4.1 Subject to any resolution of the Members to the contrary (and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares), the share capital shall be divided into shares of a single class the holders of which shall, subject to these Bye-laws:

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

4.2 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

4.3 Except as ordered by a court of competent jurisdiction or as required by law and save as provided in Bye-laws 12.1, no person shall be recognised by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or in any fractional part of a share or (except only as otherwise provided in these Bye-laws or by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any moneys (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 The joint holders of a share shall be jointly and severally liable to pay all calls and any interest, costs and expenses in respect thereof.

5.3 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

6. Prohibition on Financial Assistance

The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.

7. Forfeiture of Shares

7.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
[**Name of Company]** (the "Company")

You have failed to pay the call of [amount of call] made on the [date], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [date], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [date] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [date]

____

[Signature of Secretary] By Order of the Board

7.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Bye-laws and the Act.

7.3 A Member whose share or shares have been so forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture, together with all interest due thereon and any costs and expenses incurred by the Company in connection therewith.

7.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

8. Share Certificates

8.1 Every Member shall be entitled to a certificate under the common seal (or a facsimile thereof) of the Company or bearing the signature (or a facsimile thereof) of a Director or the Secretary or a person expressly authorised to sign specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

8.2 The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

8.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

9. Fractional Shares

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

10. Register of Members

10.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

10.2 The Register of Members shall be open to inspection without charge at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

11. Registered Holder Absolute Owner

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

12. Mortgages, Charges and Transfer of Shares

12.1 Shareholders may mortgage or charge their shares in the Company.

12.2 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares

[ ] (the "Company")

FOR VALUE RECEIVED……………….. [amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] shares of the Company.

DATED this [date]

Signed by:	In the presence of:
______________________	____________________
Transferor	Witness
Signed by:	In the presence of:
______________________	__________________
Transferee	Witness

12.3 Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been registered as having been transferred to the transferee in the Register of Members.

12.4 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

12.5 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

12.6 The Board may in its absolute discretion and without assigning any reason thereof refuse to register the transfer of a share. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

12.7 Notwithstanding anything contained in these Bye-laws, the Board shall promptly register any transfer of shares and may not suspend registration thereof where such transfer:

(a) is in accordance with the terms of any security, to the bank or institution to which such shares have been mortgaged or charged by way of security whether for its own account or as agent for a group of banks or institutions or otherwise, or to any nominee or any transferee of such bank or institution (a "**Secured Institution**"); or

(b) is delivered to the Company for registration by a Secured Institution or its nominee in order to perfect its security over the shares, in accordance with the terms of the security; or

(c) is executed by a Secured Institution pursuant to the power of sale or other power under and in accordance with the terms of such security.

13. Transmission of Registered Shares

13.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

13.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member
[Name of Company] (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [date]

Signed by:	In the presence of:
____________________	__________________
Transferor	Witness
Signed by:	In the presence of:
____________________	________________
Transferee	Witness

13.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

13.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to such share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

ALTERATION OF SHARE CAPITAL

14. Power to Alter Capital

14.1 The Company may if authorised by resolution of the Members increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

14.2 Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

15. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

DIVIDENDS AND CAPITALISATION

16. Dividends

16.1 The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

16.2 The Board may fix any date as the record date for determining the Members entitled to receive any dividend.

16.3 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

16.4 The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

17. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such amount as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

18. Method of Payment

18.1 Any dividend, interest, or other moneys payable in cash in respect of the shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

18.2 In the case of joint holders of shares, any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

18.3 The Board may deduct from the dividends or distributions payable to any Member all moneys due from such Member to the Company on account of calls or otherwise.

19. Capitalisation

19.1 The Board may capitalise any amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such amount in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

19.2 The Board may capitalise any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in paying up in full, partly or nil paid shares of those Members who would have been entitled to such amounts if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

20. Annual General Meetings

The annual general meeting shall be held in each year (other than the year of incorporation) in the United Kingdom at such time and place as the President or the Chairman (if any) or any two Directors or any Director and the Secretary or the Board shall appoint.

21. Special General Meetings

The President or the Chairman (if any) or any two Directors or any Director and the Secretary or the Board may convene a special general meeting whenever in their judgment such a meeting is necessary.

22. Requisitioned General Meetings

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings, forthwith proceed to convene a special general meeting and the provisions of the Act shall apply.

23. Notice

23.1 At least five days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

23.2 At least five days' notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

23.3 The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting.

23.4 A general meeting shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

23.5 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

24. Giving Notice and Access

24.1 A notice may be given by the Company to a Member:

(a) by delivering it to such Member in person; or

(b) by sending it by letter mail or courier to such Member's address in the Register of Members; or

(c) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose; or

(d) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website.

24.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

24.3 Any notice delivered in accordance with Bye-law 24.1(a), 24.1(b) or 24.1(c) shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier, or transmitted by electronic means. Any notice delivered in accordance with Bye-law 24.1(d) shall be deemed to have been delivered at the time when the requirements of the Act in that regard have been met.

25. Postponement of General Meeting

The Secretary may postpone any general meeting called in accordance with these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to the Members before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with these Bye-laws.

26. Electronic Participation in Meetings

Members may participate in any general meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

27. Quorum at General Meetings

27.1 At any general meeting two or more persons present in person and representing in person or by proxy in excess of 50% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business, provided that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting held during such time.

27.2 If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. Unless the meeting is adjourned to a specific date, time and place announced at the meeting being adjourned, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

28. Chairman to Preside at General Meetings

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, and if not the President, if there be one, shall act as chairman at all general meetings at which such person is present. In their absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

29. Voting on Resolutions

29.1 Subject to the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with these Bye-laws and in the case of an equality of votes the resolution shall fail.

29.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

29.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand.

29.4 In the event that a Member participates in a general meeting by telephone, electronic or other communication facilities or means, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands.

29.5 At any general meeting if an amendment is proposed to any resolution under consideration and the chairman of the meeting rules on whether or not the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

29.6 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to these Bye-laws, be conclusive evidence of that fact.

30. Power to Demand a Vote on a Poll

30.1 Notwithstanding the foregoing, a poll may be demanded by any of the following persons:

(a) the chairman of such meeting; or

(b) at least three Members present in person or represented by proxy; or

(c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or

(d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total amount paid up on all such shares conferring such right.

30.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, electronic or other communication facilities or means, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

30.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and in such manner during such meeting as the chairman (or acting chairman) of the meeting may direct. Any business other than that upon which a poll has been demanded may be conducted pending the taking of the poll.

30.4 Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

31. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

32. Instrument of Proxy

32.1 An instrument appointing a proxy shall be in writing in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy
[Name of Company] (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [date] and at any adjournment thereof. [Any restrictions on voting to be inserted here.]

Signed this [date]

____
Member(s)

32.2 The instrument appointing a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the instrument appointing a proxy proposes to vote, and an instrument appointing a proxy which is not received in the manner so prescribed shall be invalid.

32.3 A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf in respect of different shares.

32.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

32.5 Any Shareholder may irrevocably appoint a proxy and in such case:

(a) such proxy shall be irrevocable in accordance with the terms of the instrument of appointment;

(b) the Company shall be given notice of the appointment, such notice to include the name, address, telephone number and electronic mail address of the proxy holder and the Company shall give to the holder of such proxy notice of all meetings of shareholders of the Company;

(c) the holder of such proxy shall be the only person entitled to vote the relevant shares at any meeting at which such holder is present; and

(d) the Company shall be obliged to recognise the holder of such proxy until such time as such holder shall notify the Company in writing that such proxy is no longer in force.

33. Representation of Corporate Member

33.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

33.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

34. Adjournment of General Meeting

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

35. Written Resolutions

35.1 Subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting be done by written resolution in accordance with this Bye-law.

35.2 Notice of a written resolution shall be given, and a copy of the resolution shall be circulated to all Members who would be entitled to attend a meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Member does not invalidate the passing of a resolution.

35.3 A written resolution is passed when it is signed by, or in the case of a Member that is a corporation, on behalf of, the Members who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a meeting of Members at which all Members entitled to attend and vote thereat were present and voting.

35.4 A resolution in writing may be signed in any number of counterparts.

35.5 A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

35.6 A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.

35.7 This Bye-law shall not apply to:

(a) a resolution passed to remove an Auditor from office before the expiration of his term of office; or

(b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

35.8 For the purposes of this Bye-law, the effective date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member whose signature results in the necessary voting majority being achieved and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

36. Directors Attendance at General Meetings

The Directors shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

37. Election of Directors

37.1 The Board of Directors shall be elected or appointed in the first place at the statutory meeting of the Company and thereafter, except in the case of a casual vacancy, at the annual general meeting or at any special general meeting called for that purpose.

37.2 At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

38. Number of Directors

The Board shall consist of not less than two Directors or such number in excess thereof as the Members may determine.

39. Term of Office of Directors

Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated.

40. Alternate Directors

40.1 At any general meeting, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors or may authorise the Board to appoint such Alternate Directors.

40.2 Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice deposited with the Secretary. Any person so elected or appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

40.3 An Alternate Director shall be entitled to receive notice of all Board meetings and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

40.4 An Alternate Director shall cease to be such if the Director for whom he was appointed to act as a Director in the alternative ceases for any reason to be a Director, but he may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

41. Removal of Directors

41.1 Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

41.2 If a Director is removed from the Board under this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

42. Vacancy in the Office of Director

42.1 The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or dies; or

(d) resigns his office by notice to the Company.

42.2 The Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director and to appoint an Alternate Director to any Director so appointed.

43. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the Board meetings, any committee appointed by the Board, general meetings, or in connection with the business of the Company or their duties as Directors generally.

44. Defect in Appointment

All acts done in good faith by the Board, any Director, a member of a committee appointed by the Board, any person to whom the Board may have delegated any of its powers, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that he was, or any of them were, disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or act in the relevant capacity.

45. Directors to Manage Business

The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Act or by these Bye-laws, required to be exercised by the Company in general meeting in the United Kingdom.

46. Powers of the Board of Directors

The Board may:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

47. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

48. Appointment of Officers

The Board may appoint such Officers (who may or may not be Directors) as the Board may determine for such terms as the Board deems fit.

49. Appointment of Secretary

The Secretary shall be appointed by the Board from time to time for such term as the Board deems fit.

50. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

51. Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

52. Conflicts of Interest

52.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company on such terms, including with respect to remuneration, as may be agreed between the parties. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

52.2 A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

52.3 Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

53. Indemnification and Exculpation of Directors and Officers

53.1 The Directors, Resident Representative, Secretary and other Officers (such term to include any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

53.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer against any liability incurred by him under the Act in his capacity as a Director or Officer or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

53.3 The Company may advance moneys to a Director or Officer for the costs, charges and expenses incurred by the Director or Officer in defending any civil or criminal proceedings against him, on condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty is proved against him.

MEETINGS OF THE BOARD OF DIRECTORS

54. Board Meetings

54.1 All meetings of the Board shall be held in the United Kingdom.

54.2 Subject to Bye-law 54.1, the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

55. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a Board meeting. Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to such Director verbally (including in person or by telephone) or otherwise communicated or sent to such Director by post, electronic means or other mode of representing words in a visible form at such Director's last known address or in accordance with any other instructions given by such Director to the Company for this purpose.

56. Electronic Participation in Meetings

56.1 Subject to Bye-law 56.2, Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

56.2 Any meeting of the Board held by means of telephone, electronic or other communication facilities shall be initiated from the United Kingdom.

57. Quorum at Board Meetings

The quorum necessary for the transaction of business at a Board meeting shall be two Directors, and the majority of Directors present at a meeting of the Board must be individuals who are resident in the United Kingdom.

58. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at Board meetings, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting; or (ii) preserving the assets of the Company.

59. Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the Chairman, if there be one, and if not, the President, if there be one, shall act as chairman at all Board meetings at which such person is present. In their absence a chairman shall be appointed or elected by the Directors present at the meeting.

60. Written Resolutions

A resolution signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a Board meeting duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. For the purposes of this Bye-law only, "the Directors" shall not include an Alternate Director.

61. Validity of Prior Acts of the Board

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

62. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each Board meeting and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, Board meetings, meetings of managers and meetings of committees appointed by the Board.

63. Place Where Corporate Records Kept

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

64. Form and Use of Seal

64.1 The Company may adopt a seal in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

64.2 A seal may, but need not, be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of (i) any Director, or (ii) any Officer, or (iii) the Secretary, or (iv) any person authorised by the Board for that purpose.

64.3 A Resident Representative may, but need not, affix the seal of the Company to certify the authenticity of any copies of documents.

ACCOUNTS

65. Records of Account

65.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all amounts of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

65.2 Such records of account shall be kept at the registered office of the Company, or subject to the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

65.3 Such records of account shall be retained for a minimum period of five years from the date on which they are prepared.

66. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDITS

67. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

68. Appointment of Auditor

68.1 Subject to the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

68.2 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

69. Remuneration of Auditor

Save in the case of an Auditor appointed pursuant to Bye-law 74, the remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine. In the case of an Auditor appointed pursuant to Bye-law 74, the remuneration of the Auditor shall be fixed by the Board.

70. Duties of Auditor

70.1 The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

70.2 The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

71. Access to Records

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers for any information in their possession relating to the books or affairs of the Company.

72. Financial Statements

Subject to any rights to waive laying of accounts pursuant to the Act, financial statements as required by the Act shall be laid before the Members in general meeting annually. A resolution in writing made in accordance with Bye-law 35 receiving, accepting, adopting, approving or otherwise acknowledging financial statements shall be deemed to be the laying of such statements before the Members in general meeting.

73. Distribution of Auditor's Report

The report of the Auditor shall be submitted to the Members in general meeting.

74. Vacancy in the Office of Auditor

The Board may fill any casual vacancy in the office of the auditor.

VOLUNTARY WINDING-UP AND DISSOLUTION

75. Winding-Up

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

76. Changes to Bye-laws

No Bye-law may be rescinded, altered or amended and no new Bye-law may be made save in accordance with the Act and until the same has been approved by a resolution of the Board and by a resolution of the Members provided that where shares in the Company have been charged to a Secured Institution, no such amendment shall be made without the prior written consent of the Secured Institution or anyone authorised to act on its behalf.

77. Changes to the Memorandum of Association

No alteration or amendment to the Memorandum of Association may be made save in accordance with the Act and until same has been approved by a resolution of the Board and by a resolution of the Members provided that where shares in the Company have been charged to a Secured Institution, no such amendment or alteration shall be made without the prior written consent of the Secured Institution or anyone authorised to act on its behalf.

78. Discontinuance

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

Appendix F – Bye-Laws of Odfjell Drilling Ltd.

AMENDED

BYE-LAWS
OF
ODFJELL DRILLING LTD

Adopted:	5 July 2013
Amended (56.1):	19 August 2013
Amended (39):	12 September 2013
Amended (39.4):	30 June 2015
Amended (40):	29 June 2016
Amended: (2.1, 14, 23, 24, 25, 33.5, 38, 56.1)	20 June 2018
Amended: (21, 47, 57, 59, 60)	11 December 2018

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INTERPRETATION

1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981 as amended from time to time;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
Chairman	the Director of the Company appointed by the Board in accordance with these Bye-laws to perform any or all of the duties of the chairman of the Company;
Company	the company for which these Bye-laws are approved and confirmed;
Director	a director of the Company and shall include an Alternate Director;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;

Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of members referred to in these Bye-laws;
Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary; and
Treasury Share	a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled.

1.2 In these Bye-laws, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative; and

(e) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares on such terms and conditions as it may determine and any shares or class of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe.Subject to the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board (before the issue or conversion).

3. Power of the Company to Purchase its Shares

3.1 The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

3.2 The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Act.

4. Rights Attaching to Shares

4.1 Subject to any resolution of the Members to the contrary (and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares), the share capital shall be divided into shares of a single class the holders of which shall, subject to these Bye-laws:

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

4.2 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act and any other applicable laws and regulations, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any moneys (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 Any amount which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be an amount on which a call has been duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs and expenses, forfeiture or otherwise shall apply as if such amount had become payable by virtue of a duly made and notified call.

5.3 The joint holders of a share shall be jointly and severally liable to pay all calls and any interest, costs and expenses in respect thereof.

5.4 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up or become payable.

6. Forfeiture of Shares

6.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
[ ] (the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 20[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [ ] day of [

], 20[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 20[ ] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 20 [ ]

____

[Signature of Secretary] By Order of the Board

6.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Bye-laws and the Act.

6.3 A Member whose share or shares have been so forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture, together with all interest due thereon and any costs and expenses incurred by the Company in connection therewith.

6.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

7. Depositary Interest

The Directors shall, subject to the Act, any other applicable laws and regulations, the facilities and requirements of the system maintained by Verdipapirsentralen ASA or any relevant system concerned and these Bye-laws, have the power to implement and/or approve any arrangements they may, in their absolute discretion, deem fit in relation to (without limitation) the evidencing of title to and the transfer of depository or similar interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements including, without limitation, treating holders of any depository or similar interests relating to shares as if they were the holders directly thereof for the purposes of compliance with any obligations imposed under these Bye-laws on Members.

8. Share Certificates

8.1 No share certificates shall be issued by the Company unless, in respect of a class of shares, the Board has either for all or for some holders of such shares (who may be determined in such manner as the Board thinks fit) determined that the holder of such shares may be entitled to share certificates. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all.

8.2 Subject to being entitled to a share certificate under the provisions of Bye-law 8.1, the Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

8.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

8.4 Notwithstanding any provisions of these Bye-laws:

(a) the Board shall, subject always to the Act and any other applicable laws and regulations and the facilities and requirements of the relevant system concerned, have power to implement any arrangements it may, in its absolute discretion, think fit in relation to the evidencing of title to and transfer of uncertificated shares by means of the system maintained by Verdipapirsentralen ASA or any other relevant system, and to the extent such arrangements are so implemented, no provision of these Bye-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer of shares in uncertificated form; and

(b) unless otherwise determined by the Board and as permitted by the Act and any other applicable laws and regulations, no person shall be entitled to receive a certificate in respect of any share for so long as the title to that share is evidenced otherwise than by a certificate and for so long as transfers of that share may be made otherwise than by a written instrument.

9. Fractional Shares

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

10. Register of Members

10.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act. Subject to the provisions of the Act, the Company may keep one or more branch registers in any place in or outside of Bermuda, and the Board may make, amend and revoke any such regulations as it may think fit respecting the keeping of such branch registers. The Board may authorise any share on the Register of Members to be included in a branch register or any share registered on a branch register to be registered on another branch register, provided that at all times the Register of Members is maintained in accordance with the Act.

10.2 The Register of Members shall be open to inspection without charge at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

11. Registered Holder Absolute Owner

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

12. Transfer of Registered Shares

12.1 Subject to the Act and to such of the restrictions contained in these Bye-Laws as may be applicable, any Member may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve. No such instrument shall be required on the redemption of a share or on the purchase by the Company of a share. All transfers of uncertificated shares shall be made in accordance with and be subject to the facilities and requirements of the transfer of title to shares in that class by means of the system maintained by Verdipapirsentralen ASA or any other relevant system concerned and, subject thereto, in accordance with any arrangements made by the Board pursuant to Bye-Law 8.

12.2 The instrument of transfer of a share shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been registered as having been transferred to the transferee in the Register of Members.

12.3 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares (if one has been issued) to which it relates and by such other evidence as the Board may reasonably require to prove the right of the transferor to make the transfer.

12.4 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

12.5 The Board may 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 the transfer of any interest in a share where such transfer would result in 50% or more of the issued and outstanding 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, in order to avoid the Company being deemed a "Controlled Foreign Company" pursuant to Norwegian tax rules.

12.6 The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

12.7 Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.

12.8 Subject to Bye-law 12.5, but notwithstanding anything else contrary in these Bye-laws, shares that are listed or admitted to trading on an appointed stock exchange may be transferred in accordance with the rules and regulations of such exchange.

13. Transmission of Registered Shares

13.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

13.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member
[ ] (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [ ] day of [ ], 20 [ ]

Signed by:	In the presence of:
____________________	____________________
Transferor	Witness
____________________	____________________
Transferee	Witness

13.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

13.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to such share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

14. Compulsory Purchase of Shares

Intentionally Omitted

ALTERATION OF SHARE CAPITAL

15. Power to Alter Capital

15.1 The Company may if authorised by resolution of the Members increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

15.2 Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

16. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

DIVIDENDS AND CAPITALISATION

17. Dividends

17.1 The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

17.2 The Board may fix any date as the record date for determining the Members entitled to receive any dividend.

17.3 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

17.4 The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

18. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such amount as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

19. Method of Payment

19.1 Any dividend, interest, or other moneys payable in cash in respect of the shares may be paid through the system maintained by Verdipapirsentralen ASA or any other relevant system, or by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

19.2 In the case of joint holders of shares, any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one of them can give an effectual receipt for any dividend paid in respect of such shares.

19.3 The Board may deduct from the dividends or distributions payable to any Member all moneys due from such Member to the Company on account of calls or otherwise.

19.4 Any dividend and or other moneys payable in respect of a share which has remained unclaimed for 7 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

19.5 The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law 19.5 in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

20. Capitalisation

20.1 The Board may capitalise any amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such amount in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members (except in connection with the conversion of shares of one class to shares of another class).

20.2 The Board may capitalise any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in paying up in full, partly or nil paid shares of those Members who would have been entitled to such amounts if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

21. Annual General Meetings

The annual general meeting of the Company shall be held in each year (other than the year of incorporation) in the United Kingdom at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint.

22. Special General Meetings

The Chairman or any two Directors or any Director and the Secretary or the Board may convene a special general meeting whenever in their judgment such a meeting is necessary.

23. Requisitioned General Meetings

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings, forthwith proceed to convene a special general meeting and the provisions of the Act shall apply.

24. Notice

24.1 Notice of an annual general meeting or special general meeting may be published on the Oslo Stock Exchange website and following such publication the annual general meeting or special general meeting, as applicable, may be held 21 days (or such other additional number of days as determined by the Board) after such date of publication, provided the Company complies with Bye-laws 24 and 25 (the “OSE Notice”).

24.2 No later than the close of business on the business day following the date of publication of an OSE Notice in relation to an annual general meeting, notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

24.3 No later than the close of business on the business day following the date of publication of an OSE Notice in relation to a special general meeting, notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

24.4 Subject to Bye-law 24.7, the Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting.

24.5 A general meeting shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

24.6 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

24.7 Notwithstanding any other provisions of these Bye-laws, in relation to any general meeting, or any class meeting of the Members or any adjourned meeting or any poll taken at a meeting or adjourned meeting of which notice is given, the Board may specify in the notice of the meeting or adjourned meeting or in any document sent to the Members by or on behalf of the Board in relation to the meeting, a time and date (a "Record Date") which is not more than five (5) days before the date fixed for the meeting (the "Meeting Date") and notwithstanding any provision in these Bye-laws to the contrary, in such case:

(a) each person entered in the Register of Members at the Record Date as a Member, or a Member of the relevant class (a "Record Date Holder") shall be entitled to attend and vote at the relevant meeting and to exercise all of the rights and privileges of a Member or a Member of the relevant class, as applicable, in relation to that meeting in respect of the shares, or the shares of the relevant class, registered in such Member's name in the Register of Members (including, for the avoidance of doubt, a branch register) at the Record Date;

(b) as regards any shares, or shares of the relevant class, which are registered in the name of a Record Date Holder at the Record Date but are not so registered at the meeting date (the "Relevant Shares"), each holder of any Relevant Shares at the meeting date shall be deemed to have irrevocably appointed that Record Date Holder as his proxy for the purpose of attending and voting in respect of those Relevant Shares at the relevant meeting (with power to appoint, or to authorise the appointment of, some other person as proxy), in such manner as the Record Date Holder in his absolute discretion may determine;

(c) accordingly, except through his proxy pursuant to this Bye-law 24.7, a holder of Relevant Shares at the meeting date who is not a Record Date Holder, shall not be entitled to attend or to vote at the relevant meeting, or to exercise any of the rights or privileges of a Member or a Member of the relevant class, in respect of the Relevant Shares at that meeting; and

(d) the entry of the name of a person in the Register of Members as a Record Date Holder shall be sufficient evidence of his appointment as proxy in respect of any Relevant Shares for the purposes of this Bye-law 24.7, but all the provisions of these Bye-laws relating to execution and deposit of an instrument appointing a proxy or any ancillary matter (including the Board's powers and discretions relevant to such matter) shall apply to any instrument appointing any person other than the Record Date Holder as proxy in respect of any Relevant Shares.

25. Giving Notice and Access

25.1 A notice may be given by the Company to a Member:

(a) by delivering it to such Member in person, in which case the notice shall be deemed to have been served upon such delivery; or

(b) by sending it by post to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail; or

(c) by sending it by courier to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served two days after the date on which it is deposited, with courier fees paid, with the courier service; or

(d) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose, in which case the notice shall be deemed to have been served at the time that it would in the ordinary course be transmitted; or

(e) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website, in which case the notice shall be deemed to have been served at the time when the requirements of the Act in that regard have been met.

25.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

25.3 In proving service under paragraphs 25.1(b), (c) and (d), it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted or sent by courier, and the time when it was posted, deposited with the courier, or transmitted by electronic means.

26. Postponement or Cancellation of General Meeting

The Secretary may, and on the instruction of the Chairman or the chairman of such meeting the Secretary shall, postpone or cancel any general meeting called in accordance with these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to each Member in accordance with these Bye-laws.

27. Electronic Participation and Security in Meetings

25.1 Members may participate in any general meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

25.2 The Board may, and at any general meeting, the chairman of such meeting may, make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

28. Quorum at General Meetings

28.1 At any general meeting two or more persons present in person and representing in person or by proxy in excess of one-third of the total issued voting shares in the

Company throughout the meeting shall form a quorum for the transaction of business, provided that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting held during such time.

28.2 If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. Unless the meeting is adjourned to a specific date, time and place announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

29. Chairman to Preside at General Meetings

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman shall act as chairman at all general meetings at which such person is present. If the Chairman is absent, a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

30. Voting on Resolutions

30.1 Subject to the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with these Bye-laws and in the case of an equality of votes the resolution shall fail.

30.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

30.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand.

30.4 In the event that a Member participates in a general meeting by telephone, electronic or other communication facilities or means, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands.

30.5 At any general meeting if an amendment is proposed to any resolution under consideration and the chairman of the meeting rules on whether or not the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

30.6 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to these Bye-laws, be conclusive evidence of that fact.

31. Power to Demand a Vote on a Poll

31.1 Notwithstanding the foregoing, a poll may be demanded by any of the following persons:

(a) the chairman of such meeting; or

(b) at least three Members present in person or represented by proxy; or

(c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or

(d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total amount paid up on all such shares conferring such right.

31.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, electronic or other communication facilities or means, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

31.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and in such manner during such meeting as the chairman (or acting chairman) of the meeting may direct. Any business other than that upon which a poll has been demanded may be conducted pending the taking of the poll.

31.4 Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman of the meeting shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman of the meeting for the purpose and the result of the poll shall be declared by the chairman of the meeting.

32. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

33. Instrument of Proxy

33.1 A Member may appoint a proxy by an instrument which shall be in writing in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy
[ ] (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [ ] day of [ ], 20[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ], 20[ ]

____
Member(s)

33.2 The instrument appointing a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the instrument appointing a proxy proposes to vote, and an instrument appointing a proxy which is not received in the manner so prescribed shall be invalid.

33.3 A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf in respect of different shares.

33.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

34. Representation of Corporate Member

34.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

34.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

35. Adjournment of General Meeting

35.1 The chairman of any general meeting at which a quorum is present may with the consent of Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

35.2 In addition, the chairman of a general meeting may adjourn the meeting to another time and place without such consent or direction of the Members if it appears to him that:

(a) it is likely to be impractical to hold or continue that meeting because of the number of Members wishing to attend who are not present; or

(b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or

(c) an adjournment is otherwise clearly necessary so that the business of the meeting may be properly conducted.

34.3 The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

36. Written Resolutions

36.1 Subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting be done by written resolution in accordance with this Bye-law.

36.2 Notice of a written resolution shall be given, and a copy of the resolution shall be circulated to all Members who would be entitled to attend a meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Member does not invalidate the passing of a resolution.

36.3 A written resolution is passed when it is signed by, or in the case of a Member that is a corporation, on behalf of, the Members who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a meeting of Members at which all Members entitled to attend and vote thereat were present and voting.

36.4 A resolution in writing may be signed in any number of counterparts.

36.5 A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

36.6 A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.

36.7 This Bye-law shall not apply to:

(a) a resolution passed to remove an Auditor from office before the expiration of his term of office; or

(b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

36.8 For the purposes of this Bye-law, the effective date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member whose signature results in the necessary voting majority being achieved and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

37. Directors' and the Auditor's Attendance at General Meetings

The Directors and Chief Executive Officer shall be entitled to receive notice of, attend and be heard at any general meeting, and the Chairman of the Board and the Chief Executive Officer shall attend general meetings where possible. The auditor of the Company shall receive notice of, attend and be heard at any general meeting in which the nature of the matters on the agenda so requires, and the auditor has for any general meeting a right to receive notice, attend and be heard.

38. Motion for Inquiry

Intentionally Omitted

DIRECTORS AND OFFICERS

39. Election of Directors

39.1 The Board shall be elected or appointed in the first place at the statutory meeting of the Company and thereafter, except in the case of a casual vacancy, at the annual general meeting or at any special general meeting called for that purpose.[1]

39.2 Only persons who are proposed or nominated in accordance with this Bye-law 39 shall be eligible for election as a Director. Subject to these Bye-laws, any Member, the Board or the nomination committee may propose any person for re-election or election as a Director in accordance with this Bye-law 39.

39.3 Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board or the nomination committee, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Whether a Director is to be elected at an annual general meeting or a special general meeting, that notice must be given not less than 21 days before the date of such general meeting.

39.4 The Company in general meeting may appoint a nomination committee (the "nomination committee"), comprising such number of persons as the Members may determine in general meeting from time to time, and members of the nomination committee shall be appointed by resolution of the Members. Members and the Board may suggest candidates for the election of Directors to the nomination committee provided such suggestions are in accordance with any nomination committee guidelines or corporate governance rules adopted by the Company in general meeting from time to time and Members, Directors and the nomination committee may also propose any person for election as a Director in accordance with Bye-laws 39.2 and 39.3. The nomination committee may or may not recommend any candidates suggested or proposed by any Member or the Board in accordance with any nomination committee guidelines or corporate governance rules adopted by the Company in general meeting from time to time. The nomination committee may provide recommendations on the suitability of candidates for the Board, as well as the remuneration of the members of the Board. The Members at any general meeting may stipulate guidelines for the duties of the nomination committee.

39.5 Where persons are validly proposed for re-election or election as a Director, the persons receiving the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such Directors.

39.6 At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

40. Number of Directors

The Board shall consist of not less than four Directors or such number in excess thereof as the Members may determine.

41. Term of Office of Directors

Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the annual general meeting held in the second year after the appointment or until their successors are elected or appointed or their office is otherwise vacated.

42. Alternate Directors

42.1 At any general meeting, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors or may authorise the Board to appoint such Alternate Directors.

42.2 Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice deposited with the Secretary.

42.3 Any person so elected or appointed pursuant to this Bye-law shall have all the rights and powers of the Director or Directors for whom such person is elected or appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

42.4 An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

42.5 An Alternate Director's office shall terminate –

(a) in the case of an alternate elected by the Members:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to the Director for whom he was elected to act, would result in the termination of that Director; or

(ii) if the Director for whom he was elected in the alternative ceases for any reason to be a Director, provided that the alternate removed in these circumstances may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy; and

(b) in the case of an alternate appointed by a Director:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to his appointor, would result in the termination of the appointor's directorship; or

(ii) when the Alternate Director's appointor revokes the appointment by notice to the Company in writing specifying when the appointment is to terminate; or

(iii) if the Alternate Director's appointor ceases for any reason to be a Director.

43. Removal of Directors

43.1 Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

43.2 If a Director is removed from the Board under this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

44. Vacancy in the Office of Director

44.1 The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or dies; or

(d) resigns his office by notice to the Company.

44.2 The Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

45. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings, or in connection with the business of the Company or their duties as Directors generally.

46. Defect in Appointment

All acts done in good faith by the Board, any Director, a member of a committee appointed by the Board, any person to whom the Board may have delegated any of its powers, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that he was, or any of them were, disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or act in the relevant capacity.

47. Directors to Manage Business

47.1 The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Act or by these Bye-laws, required to be exercised by the Company in general meeting in the United Kingdom.

47.2 The affairs of the Company shall not be conducted in a manner oppressive or prejudicial to the interests of some part of the Members. In the event the affairs of the Company are conducted in such a manner, any Member may make an application to the Supreme Court of Bermuda pursuant to the Act.

48. Powers of the Board of Directors

The Board may:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company and listing the shares of the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;

(h) delegate any of its powers (including the power to sub-delegate) for a specific purpose to any person on such terms and in such manner as the Board may see fit, including any restrictions that the Board may determine at the time of delegation;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

49. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

50. Appointment of Officers

The Board may appoint such Officers (who may or may not be Directors) as the Board may determine for such terms as the Board deems fit.

51. Appointment of Secretary

The Secretary shall be appointed by the Board from time to time for such term as the Board deems fit.

52. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

53. Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

54. Conflicts of Interest

54.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's associated firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

54.2 A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

54.3 Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

55. Related Party Transactions

All transactions between the Company and its Members, Directors or Officers shall be based on arms' length terms and conditions. In the event of any material transactions between the Company and its Members, Directors or Officers, the Company shall arrange for a valuation to be obtained from a reputable and independent financial institution, auditor or accountancy firm.

56. Indemnification and Exculpation of Directors and Officers

56.1 The Directors, Resident Representative, Secretary and other Officers (such term to include any person appointed to any committee by the Board) acting in relation to any of the affairs of the Company or any subsidiary thereof and the liquidator or trustees (if any) acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them (whether for the time being or formerly), and their heirs, executors and administrators (each of which an "indemnified party"), shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to any of the indemnified parties. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to such Director or Officer.

56.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer against any liability incurred by him under the Act in his capacity as a Director or Officer or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

56.3 The Company may advance moneys to a Director or Officer for the costs, charges and expenses incurred by the Director or Officer in defending any civil or criminal proceedings against him, on condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty in relation to the Company is proved against him.

MEETINGS OF THE BOARD OF DIRECTORS

57. Board Meetings

57.1 All meetings of the Board shall be held in the United Kingdom.

57.2 Subject to Bye-law 57.1, the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

58. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (including in person or by telephone) or otherwise communicated or sent to such Director by post, electronic means or other mode of representing words in a visible form at such Director's last known address or in accordance with any other instructions given by such Director to the Company for this purpose.

59. Electronic Participation in Meetings

59.1 Subject to Bye-law 59.2, Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

59.2 Any meeting of the Board held by means of telephone, electronic or other communication facilities shall be initiated from the United Kingdom.

60. Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of the Board shall be the majority of the Directors in office, and the majority of Directors present at a meeting of the Board must be individuals who are ordinarily resident in the United Kingdom.

61. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting; or (ii) preserving the assets of the Company.

62. Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the Chairman shall act as chairman at all meetings of the Board at which such person is present. If the Chairman is absent, a chairman shall be appointed or elected by the Directors present at the meeting.

63. Written Resolutions

A resolution signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. For the purposes of this Bye-law only, "the Directors" shall not include an Alternate Director.

64. Validity of Prior Acts of the Board

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

65. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

66. Place Where Corporate Records Kept

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

67. Form and Use of Seal

67.1 The Company may adopt a seal in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

67.2 A seal may, but need not, be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of (i) any Director, or (ii) any Officer, or (iii) the Secretary, or (iv) any person authorised by the Board for that purpose.

67.3 A Resident Representative may, but need not, affix the seal of the Company to certify the authenticity of any copies of documents.

ACCOUNTS

68. Records of Account

68.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all amounts of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

68.2 Such records of account shall be kept at the registered office of the Company, or subject to the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

69. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDITS

70. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

71. Appointment of Auditor

71.1 Subject to the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

71.2 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

71.3 A Member or Members representing at least one-twentieth of the share capital may request in writing to the Company that the Board appoints an additional auditing firm to review the accounts of the Company in addition to the Company's Auditor appointed pursuant to Bye-law 71.1 or Bye-law 77 as applicable if such request is based on reasonable grounds. For the avoidance of doubt, an auditing firm appointed pursuant to this Bye-law 71.3 is not the Company's auditor for the purposes of the Act. The remuneration of an auditing firm appointed pursuant to this Bye-law 71.3 shall be fixed by the Board.

72. Remuneration of Auditor

Save in the case of an Auditor appointed pursuant to Bye-law 77, the remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine. In the case of an Auditor appointed pursuant to Bye-law 77, the remuneration of the Auditor shall be fixed by the Board.

73. Duties of Auditor

73.1 The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

73.2 The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

74. Access to Records

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers for any information in their possession relating to the books or affairs of the Company.

75. Financial Statements

Subject to any rights to waive laying of accounts pursuant to the Act, financial statements as required by the Act shall be laid before the Members in general meeting annually. A resolution in writing made in accordance with Bye-law 36 receiving, accepting, adopting, approving or otherwise acknowledging financial statements shall be deemed to be the laying of such statements before the Members in general meeting.

76. Distribution of Auditor's Report

The report of the Auditor shall be submitted to the Members in general meeting.

77. Vacancy in the Office of Auditor

The Board may fill any casual vacancy in the office of the auditor.

VOLUNTARY WINDING-UP AND DISSOLUTION

78. Winding-Up

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

79. Changes to Bye-laws

No Bye-law may be rescinded, altered or amended and no new Bye-law may be made save in accordance with the Act and until the same has been approved by a resolution of the Board and by a resolution of the Members including the affirmative vote of not less than two-thirds of the shares and votes represented in the general meeting.

80. Changes to the Memorandum of Association

No alteration or amendment to the Memorandum of Association may be made save in accordance with the Act and until same has been approved by a resolution of the Board and by a resolution of the Members.

81. Discontinuance

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

Appendix G – Bye-Laws of Odfjell Rig Owning Ltd.

AMENDED

BYE-LAWS

OF

Odfjell Rig Owning Ltd.

Standard exempted company Bye-laws

Adopted: **21 December 2015**

Amended: (19, 44, 53, 55, 57) **11 December 2018**

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MEETINGS OF THE BOARD OF DIRECTORS

53. Board Meetings

53.1 All meetings of the Board shall be held in the United Kingdom.

53.2 Subject to Bye-law 53.1, the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

54. Notice of Board Meetings
55. Electronic Participation in Meetings

55.1 Subject to Bye-law 55.2, Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

55.2 Any meeting of the Board held by means of telephone, electronic or other communication facilities shall be initiated from the United Kingdom.

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INTERPRETATION

1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Auditor	includes an individual, company or partnership;
Board	the board of directors (including, for the avoidance of doubt, a sole director) appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
Company	the company for which these Bye-laws are approved and confirmed;
Director	a director of the Company and shall include an Alternate Director;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of Members referred to in these Bye-

	laws;
Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary; and
Treasury Share	a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled.

1.2 In these Bye-laws, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and *vice versa*;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:-

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof;

(f) the word “corporation” means a corporation whether or not a company within the meaning of the Act; and

(g) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares on such terms and conditions as it may determine and any shares or class of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe.

2.2 Subject to the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board (before the issue or conversion).

3. Power of the Company to Purchase its Shares

3.1 The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

3.2 The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Act.

4. Rights Attaching to Shares

4.1 Subject to any resolution of the Members to the contrary (and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares), the share capital shall be divided into shares of a single class the holders of which shall, subject to these Bye-laws:

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

4.2 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 The joint holders of a share shall be jointly and severally liable to pay all calls and any interest, costs and expenses in respect thereof.

5.3 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

6. Forfeiture of Shares

6.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
[**Name of Company]** (the "Company")

You have failed to pay the call of [amount of call] made on [date], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on [date], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [date] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [date]

[Signature of Secretary] By Order of the Board

6.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Bye-laws and the Act.

6.3 A Member whose share or shares have been so forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture, together with all interest due thereon and any costs and expenses incurred by the Company in connection therewith.

6.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

7. Share Certificates

7.1 Every Member shall be entitled to a certificate under the common seal (or a facsimile thereof) of the Company or bearing the signature (or a facsimile thereof) of a Director or the Secretary or a person expressly authorised to sign specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

7.2 The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

7.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

8. Fractional Shares

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

9. Register of Members

9.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

9.2 The Register of Members shall be open to inspection without charge at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

10. Registered Holder Absolute Owner

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

11. Transfer of Registered Shares

11.1 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares
[Name of Company] (the "Company")

FOR VALUE RECEIVED……………….. [amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] shares of the Company.

DATED this [date]

Signed by: In the presence of:

____________________	____________________
Transferor	Witness
Signed by:	In the presence of:
____________________	____________________
Transferee	Witness

11.2 Such instrument of transfer shall be signed by (or in the case of a party that is a corporation, on behalf of) the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been registered as having been transferred to the transferee in the Register of Members.

11.3 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require showing the right of the transferor to make the transfer.

11.4 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

11.5 The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

11.6 Notwithstanding anything to the contrary in these Bye-laws, shares that are listed or admitted to trading on an appointed stock exchange may be transferred in accordance with the rules and regulations of such exchange.

12. Transmission of Registered Shares

12.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased

Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

12.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member
[Name of Company] (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [date]

Signed by:	In the presence of:
____________________	____________________
Transferor	Witness
Signed by:	In the presence of:
____________________	____________________
Transferee	Witness

12.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

12.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to such share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

ALTERATION OF SHARE CAPITAL

13. Power to Alter Capital

13.1 The Company may if authorised by resolution of the Members increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

13.2 Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

14. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

DIVIDENDS AND CAPITALISATION

15. Dividends

15.1 The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

15.2 The Board may fix any date as the record date for determining the Members entitled to receive any dividend.

15.3 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

15.4 The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

16. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such amount as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

17. Method of Payment

17.1 Any dividend, interest, or other monies payable in cash in respect of the shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

17.2 In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

17.3 The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

18. Capitalisation

18.1 The Board may capitalise any amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such amount in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

18.2 The Board may capitalise any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in paying up in full, partly or nil paid shares of those Members who would have been entitled to such amounts if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

19. Annual General Meetings

Subject to an election made by the Company in accordance with the Act to dispense with the holding of annual general meetings, an annual general meeting shall be held in each year (other than the year of incorporation) in the United Kingdom at such time and place as the President or the Chairman (if any) or any two Directors or any Director and the Secretary or the Board shall appoint.

20. Special General Meetings

The president or the chairman of the Company (if any) or any two Directors or any Director and the Secretary or the Board may convene a special general meeting whenever in their judgment such a meeting is necessary.

21. Requisitioned General Meetings

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings, forthwith proceed to convene a special general meeting and the provisions of the Act shall apply.

22. Notice

22.1 At least five days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

22.2 At least five days' notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

22.3 The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting.

22.4 A general meeting shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by

(i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

22.5 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

23. Giving Notice and Access

23.1 A notice may be given by the Company to a Member:

(a) by delivering it to such Member in person, in which case the notice shall be deemed to have been served upon such delivery; or

(b) by sending it by post to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail; or

(c) by sending it by courier to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served two days after the date on which it is deposited, with courier fees paid, with the courier service; or

(d) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose, in which case the notice shall be deemed to have been served at the time that it would in the ordinary course be transmitted; or

(e) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website, in which case the notice shall be deemed to have been served at the time when the requirements of the Act in that regard have been met.

23.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

23.3 In proving service under paragraphs 23.1(b), (c) and (d), it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted or sent by courier, and the time when it was posted, deposited with the courier, or transmitted by electronic means.

24. Postponement of General Meeting

The Secretary may postpone any general meeting called in accordance with these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to the Members before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with these Bye-laws.

25. Electronic Participation in Meetings

Members may participate in any general meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

26. Quorum at General Meetings

26.1 At any general meeting two or more persons present in person and representing in person or by proxy in excess of 50% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business, provided that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting held during such time.

26.2 If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. Unless the meeting is adjourned to a specific date, time and place announced at the meeting being adjourned, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

27. Chairman to Preside at General Meetings

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the chairman or the president of the Company, if there be one, shall act as chairman of the meeting at all general meetings at which such person is present. In their absence a chairman of the meeting shall be appointed or elected by those present at the meeting and entitled to vote.

28. Voting on Resolutions

28.1 Subject to the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with these Bye-laws and in the case of an equality of votes the resolution shall fail.

28.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

28.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand.

28.4 In the event that a Member participates in a general meeting by telephone, electronic or other communication facilities or means, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands.

28.5 At any general meeting if an amendment is proposed to any resolution under consideration and the chairman of the meeting rules on whether or not the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

28.6 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to these Bye-laws, be conclusive evidence of that fact.

29. Power to Demand a Vote on a Poll

29.1 Notwithstanding the foregoing, a poll may be demanded by any of the following persons:

(a) the chairman of such meeting; or

(b) at least three Members present in person or represented by proxy; or

(c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or

(d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total amount paid up on all such shares conferring such right.

29.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, electronic or other communication facilities or means, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

29.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and in such manner during such meeting as the chairman (or acting chairman) of the meeting may direct. Any business other than that upon which a poll has been demanded may be conducted pending the taking of the poll.

29.4 Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman of the meeting shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman of the meeting for the purpose and the result of the poll shall be declared by the chairman of the meeting.

30. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

31. Instrument of Proxy

31.1 An instrument appointing a proxy shall be in writing in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy
[Name of Company] (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on [date] and at any adjournment thereof. [Any restrictions on voting to be inserted here.]

Signed this [date]

____
Member(s)

31.2 The instrument appointing a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the instrument appointing a proxy proposes to vote, and an instrument appointing a proxy which is not received in the manner so prescribed shall be invalid.

31.3 A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf in respect of different shares.

31.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

32. Representation of Corporate Member

32.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

32.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

33. Adjournment of General Meeting

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

34. Written Resolutions

34.1 Subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may be done without a meeting by written resolution in accordance with this Bye-law.

34.2 Notice of a written resolution shall be given, and a copy of the resolution shall be circulated to all Members who would be entitled to attend a meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Member does not invalidate the passing of a resolution.

34.3 A written resolution is passed when it is signed by (or in the case of a Member that is a corporation, on behalf of) the Members who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a meeting of Members at which all Members entitled to attend and vote thereat were present and voting.

34.4 A resolution in writing may be signed in any number of counterparts.

34.5 A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

34.6 A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.

34.7 This Bye-law shall not apply to:

(a) a resolution passed to remove an Auditor from office before the expiration of his term of office; or

(b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

34.8 For the purposes of this Bye-law, the effective date of the resolution is the date when the resolution is signed by (or in the case of a Member that is a corporation, on behalf of) the last Member whose signature results in the necessary voting majority being achieved and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

35. Directors Attendance at General Meetings

The Directors shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

36. Election of Directors

36.1 The Board shall be elected or appointed in the first place at the statutory meeting of the Company and thereafter, except in the case of a casual vacancy, at the annual general meeting or at any special general meeting called for that purpose.

36.2 At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

37. Number of Directors

The Board shall consist of not less than one Director or such number in excess thereof as the Members may determine.

38. Term of Office of Directors

Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated.

39. Alternate Directors

39.1 At any general meeting, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors or may authorise the Board to appoint such Alternate Directors.

39.2 Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice deposited with the Secretary.

39.3 Any person elected or appointed pursuant to this Bye-law shall have all the rights and powers of the Director or Directors for whom such person is elected or appointed in the alternative, provided that such person shall not be counted more than once in determining whether or not a quorum is present.

39.4 An Alternate Director shall be entitled to receive notice of all Board meetings and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

39.5 An Alternate Director's office shall terminate –

(a) in the case of an alternate elected by the Members:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to the Director for whom he was elected to act, would result in the termination of that Director; or

(ii) if the Director for whom he was elected in the alternative ceases for any reason to be a Director, provided that the alternate removed in these circumstances may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy; and

(b) in the case of an alternate appointed by a Director:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to his appointor, would result in the termination of the appointor's directorship; or

(ii) when the Alternate Director's appointor revokes the appointment by notice to the Company in writing specifying when the appointment is to terminate; or

(iii) if the Alternate Director's appointor ceases for any reason to be a Director.

40. Removal of Directors

40.1 Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

40.2 If a Director is removed from the Board under this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

41. Vacancy in the Office of Director

41.1 The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or dies; or

(d) resigns his office by notice to the Company.

41.2 The Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director and to appoint an Alternate Director to any Director so appointed.

42. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them (or in the case of a director that is a corporation, by its representative or representatives) in attending and returning from Board meetings, meetings of any committee appointed by the Board or general meetings, or in connection with the business of the Company or their duties as Directors generally.

43. Defect in Appointment

All acts done in good faith by the Board, any Director, a member of a committee appointed by the Board, any person to whom the Board may have delegated any of its powers, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that he was, or any of them were, disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or act in the relevant capacity.

44. Directors to Manage Business

The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Act or by these Bye-laws, required to be exercised by the Company in general meeting in the United Kingdom.

45. Powers of the Board of Directors

The Board may:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

46. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

47. Appointment of Officers

The Board may appoint such Officers (who may or may not be Directors) as the Board may determine for such terms as the Board deems fit.

48. Appointment of Secretary

The Secretary shall be appointed by the Board from time to time for such term as the Board deems fit.

49. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

50. Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

51. Conflicts of Interest

51.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company on such terms, including with respect to remuneration, as may be agreed between the parties. Nothing herein contained shall authorise a Director or a Director's firm, partner or company to act as Auditor to the Company.

51.2 A Director who is directly or indirectly interested in a contract or proposed contract with the Company (an "Interested Director") shall declare the nature of such interest as required by the Act.

51.3 An Interested Director who has complied with the requirements of the foregoing Bye-law may:

(a) vote in respect of such contract or proposed contract; and/or

(b) be counted in the quorum for the meeting at which the contract or proposed contract is to be voted on,

and no such contract or proposed contract shall be void or voidable by reason only that the Interested Director voted on it or was counted in the quorum of the relevant meeting and the Interested Director shall not be liable to account to the Company for any profit realised thereby.

52. Indemnification and Exculpation of Directors and Officers

52.1 The Directors, Resident Representative, Secretary and other Officers (such term to include any person appointed to any committee by the Board) acting in relation to any of the affairs of the Company or any subsidiary thereof and the liquidator or trustees (if any) acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them (whether for the time being or formerly), and their heirs, executors and administrators (each of which an “indemnified party”), shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any monies or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any monies of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to any of the indemnified parties. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to such Director or Officer.

52.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer against any liability incurred by him under the Act in his capacity as a Director or Officer or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

52.3 The Company may advance monies to a Director or Officer for the costs, charges and expenses incurred by the Director or Officer in defending any civil or criminal proceedings against him, on condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty in relation to the Company is proved against him.

MEETINGS OF THE BOARD OF DIRECTORS

53. Board Meetings

53.1 All meetings of the Board shall be held in the United Kingdom.

53.2 Subject to Bye-law 53.1, the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

54. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a Board meeting. Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to such Director verbally (including in person or by telephone) or otherwise communicated or sent to such Director by post, electronic means or other mode of representing words in a visible form at such Director's last known address or in accordance with any other instructions given by such Director to the Company for this purpose.

55. Electronic Participation in Meetings

55.1 Subject to Bye-law 55.2, Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

55.2 Any meeting of the Board held by means of telephone, electronic or other communication facilities shall be initiated from the United Kingdom.

56. Representation of Corporate Director

56.1 A Director which is a corporation may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Director, and that Director shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

56.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at Board meetings on behalf of a corporation which is a Director.

57. Quorum at Board Meetings

The quorum necessary for the transaction of business at a Board meeting shall be two Directors, provided that if there is only one Director for the time being in office the quorum shall be one, and the majority of Directors present at a meeting of the Board must be individuals who are resident in the United Kingdom.

58. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at Board meetings, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting; or (ii) preserving the assets of the Company.

59. Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the chairman or the president of the Company, if there be one, shall act as chairman of the meeting at all Board meetings at which such person is present. In their absence a chairman of the meeting shall be appointed or elected by the Directors present at the meeting.

60. Written Resolutions

A resolution signed by (or in the case of a Director that is a corporation, on behalf of) all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a Board meeting duly called and constituted, such resolution to be effective on the date on which the resolution is signed by (or in the case of a Director that is a corporation, on behalf of) the last Director. For the purposes of this Bye-law only, "the Directors" shall not include an Alternate Director.

61. Validity of Prior Acts of the Board

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

62. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each Board meeting and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, Board meetings, meetings of managers and meetings of committees appointed by the Board.

63. Place Where Corporate Records Kept

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

64. Form and Use of Seal

64.1 The Company may adopt a seal in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

64.2 A seal may, but need not, be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of (i) any Director, or (ii) any Officer, or (iii) the Secretary, or (iv) any person authorised by the Board for that purpose.

64.3 A Resident Representative may, but need not, affix the seal of the Company to certify the authenticity of any copies of documents.

ACCOUNTS

65. Records of Account

65.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all amounts of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

65.2 Such records of account shall be kept at the registered office of the Company or, subject to the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

65.3 Such records of account shall be retained for a minimum period of five years from the date on which they are prepared.

66. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDITS

67. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

68. Appointment of Auditor

68.1 Subject to the Act, the Members shall appoint an auditor to the Company to hold office for such term as the Members deem fit or until a successor is appointed.

68.2 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

69. Remuneration of Auditor

69.1 The remuneration of an Auditor appointed by the Members shall be fixed by the Company in general meeting or in such manner as the Members may determine.

69.2 The remuneration of an Auditor appointed by the Board to fill a casual vacancy in accordance with these Bye-laws shall be fixed by the Board.

70. Duties of Auditor

70.1 The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

70.2 The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

71. Access to Records

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers for any information in their possession relating to the books or affairs of the Company.

72. Financial Statements and the Auditor's Report

72.1 Subject to the following bye-law, the financial statements and/or the auditor's report as required by the Act shall

(a) be laid before the Members at the annual general meeting; or

(b) be received, accepted, adopted, approved or otherwise acknowledged by the Members by written resolution passed in accordance with these Bye-laws; or

(c) in circumstances where the Company has elected to dispense with the holding of an annual general meeting, be made available to the Members in accordance with the Act in such manner as the Board shall determine.

72.2 If all Members and Directors shall agree, either in writing or at a meeting, that in respect of a particular interval no financial statements and/or auditor's report thereon need be made available to the Members, and/or that no auditor shall be appointed then there shall be no obligation on the Company to do so.

73. Vacancy in the Office of Auditor

The Board may fill any casual vacancy in the office of the auditor.

VOLUNTARY WINDING-UP AND DISSOLUTION

74. Winding-Up

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

75. Changes to Bye-laws

No Bye-law may be rescinded, altered or amended and no new Bye-law may be made save in accordance with the Act and until the same has been approved by a resolution of the Board and by a resolution of the Members.

76. Changes to the Memorandum of Association

No alteration or amendment to the Memorandum of Association may be made save in accordance with the Act and until same has been approved by a resolution of the Board and by a resolution of the Members.

77. Discontinuance

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

Appendix H – Articles of Association of Odfjell Drilling Shetland Ltd.

Company No: SC368991
Filing Copy

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

WRITTEN RESOLUTION

of

ODFJELL DRILLING SHETLAND LTD

(Company)

Circulated on 28 August 2014 (Circulation Date)

The following resolution is a copy of the written resolution of the Company agreed to by the sole member of the Company entitled to vote, on 28 August 2014 in accordance with Chapter 2 of Part 13 of the Companies Act 2006.

AS A SPECIAL RESOLUTION:

> "THAT the regulations set forth in the printed document attached, be and are hereby approved and adopted as the articles of association of the Company, in substitution for, and to the exclusion of, the existing articles of association thereof."

Signed for and on behalf of the Company:

Director

Date 28 August 2014

Company Number: SC368991

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THE COMPANIES ACT 2006

ARTICLES OF ASSOCIATION

OF

ODJFELL DRILLING SHETLAND LIMITED

(the Company)

1 **EXCLUSION OF MODEL ARTICLES**

None of the regulations contained in the Companies (Model Articles) Regulations 2008 apply to the Company and these articles alone are the articles of association of the Company.

2 **INTERPRETATION**

2.1 In these articles, unless the context requires otherwise:

"**Act**" means the Companies Act 2006;

"**Acceptance**" has the meaning in article 27;

"**Additional Acceptance**" has the meaning in article 27;

"**Alternate**" or "**Alternate Director**" has the meaning given in article 11;

"**Appointor**" has the meaning in article 11;

"**Articles**" means these articles of association;

"**Bankruptcy**" includes individual insolvency proceedings in a jurisdiction other than England and Wales, Scotland or Northern Ireland which have an effect similar to that of bankruptcy;

"**Call**" has the meaning in article 33;

"**Call Notice**" has the meaning in article 33;

"**Call Payment Date**" has the meaning in article 36;

"**Capitalised Sum**" has the meaning in article 54;

"**Chairman**" has the meaning given in article 14;

"**Companies Acts**" means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company;

"**Company's lien**" has the meaning in article 31;

"**Director**" means a director of the Company, and includes any person occupying the position of director, by whatever name called;

"**Distribution Recipient**" has the meaning given in article 49;

"**Eligible Director**" means a Director who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting (but excluding any Director whose vote is not to be counted in respect of a particular matter);

"**Fully Paid**" in relation to a Share, means that the nominal value and any premium to be paid to the Company in respect of that Share have been paid to the Company;

"**Holder**" in relation to Shares means the person whose name is entered in the register of members as the holder of the Shares;

"**Offered Shares**" has the meaning in article 27;

"**Persons Entitled**" has the meaning in article 54;

"**Pre-emption offer**" has the meaning in article 27;

"**Proxy Notice**" has the meaning given in article 66;

"**Proxy Notification Address**" has the meaning in article 67;

"**Relevant Director**" has the meaning in article 73;

"**Relevant Rate**" has the meaning in article 36;

"**Relevant Loss**" has the meaning in article 73;

"**Shareholder**" means a person who is the Holder of a Share;

"**Shares**" means shares in the Company;

"**Surplus Shares**" has the meaning in article 27; and

"**Transmittee**" means a person entitled to a Share as a result of the death or Bankruptcy of a shareholder or otherwise by operation of law.

2.2 References in these Articles to a document includes, unless otherwise specified any document sent or supplied in electronic form.

2.3 References in these Articles to "**writing**" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

2.4 References in these Articles to Shares being "**paid**" means those Shares being paid or credited as paid.

2.5 Unless the context otherwise requires:

(i) words importing the singular include the plural and vice versa;

(ii) words importing any gender include all other genders; and

(iii) words importing natural persons include corporations.

2.6 Words or expressions contained in these Articles which are defined in the Act have the same meaning as in the Act in force on the date of adoption of these Articles including the following words which are defined in the following sections of the Act:

Word(s)/expression	Section Number in Act
electronic form	section 1168
equity share capital	section 548
hard copy form	section 1168
ordinary resolution	section 282
special resolution	section 283
subsidiary	section 1159
subsidiary undertaking	section 1162
working day	section 1173

2.7 A reference to an article by number is to the relevant article of these Articles.

2.8 Headings used in these Articles shall not affect their construction or interpretation.

2.9 References to any statute or section of a statute shall include reference to any statutory amendment, extension, modification or re-enactment of such statute or section of a statute for the time being in force.

3 **LIMITATION OF LIABILITY OF SHAREHOLDERS**

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

4 **DIRECTORS' GENERAL AUTHORITY**

The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

5 **SHAREHOLDERS' RESERVE POWER**

5.1 The Shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specified action.

5.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

6 **DIRECTORS MAY DELEGATE**

6.1 The Directors may delegate any of the powers which are conferred on them under these articles:

(a) to such person or committee;

(b) by such means (including by power of attorney);

(c) to such an extent;

(d) in relation to such matters or territories; and

(e) on such terms and conditions,

as they think fit.

6.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

6.3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

7 **COMMITTEES**

7.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these articles which govern the taking of decisions by Directors.

7.2 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from these articles if they are not consistent with them.

8 **DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

8.1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with article 9.

8.2 If:

(a) the Company only has one Director for the time being; and

(b) no provision of these Articles requires it to have more than one Director,

the general rule does not apply, and the Director may (for so long as he remains the sole Director) take decisions without regard to any of the provisions of these Articles relating to Directors' decision-making.

8.3 All acts done by a meeting of Directors, or a committee of Directors or by any Director shall, even if it is discovered afterwards that:

(a) there was a defect in the appointment of any Director; or

(b) any Director had been disqualified from holding office; or

(c) any Director had vacated office or was not entitled to vote

be valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

9 **UNANIMOUS DECISIONS**

9.1 A decision of the Directors is taken in accordance with this article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.

9.2 Such a decision may take the form of a resolution in writing where each Director has signed one or more copies of it or to which each Eligible Director has otherwise indicated agreement in writing.

9.3 A decision may not be taken in accordance with this article if the Eligible Directors would not have formed a quorum at a Director's meeting.

10 **CALLING A DIRECTORS' MEETING**

10.1 Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the company secretary (if any) to give such notice.

10.2 Notice of any Directors' meeting must indicate:

(a) its proposed date and time;

(b) where it is to take place;

(c) the proposed business of the meeting; and

(d) if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

10.3 At least seven days' notice of a Directors' meeting must be given to each Director, but the notice need not be in writing.

10.4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

11 **ALTERNATE DIRECTORS**

11.1 Any Director (the "**Appointor**") may appoint as an alternate any other Director, or another person approved by resolution of the Directors to:

(a) exercise that Director's powers; and

(b) carry out that Director's responsibilities

in relation to the taking of decisions by the Directors in the absence of the alternate's Appointor (the "**Alternate**" or "**Alternate Director**").

11.2 Any appointment or removal of an Alternate must be effected by notice in writing to the Company signed by the Appointor, or in any other manner approved by the Directors.

11.3 The notice must:

(a) identify the proposed Alternate; and

(b) in the case of a notice of appointment, contain a statement signed by the proposed Alternate that the proposed Alternate is willing to act as the Alternate of the Director giving the notice.

11.4 An Alternate Director may act as an Alternate Director to more than one Director and has the same rights, in relation to any decision of the Directors as the Alternate's Appointor.

11.5 Alternate Directors:

(a) are deemed for all purposes to be Directors;

(b) are liable for their own acts and omissions;

(c) are subject to the same restrictions as their Appointors;

(d) are not deemed to be agents of or for their Appointors;

and in particular (but without limitation) each Alternate Director is entitled to receive notice of all meetings of Directors and all meetings of committees of Directors of which his Appointor is a member.

11.6 A person who is an Alternate Director but not a Director:

(a) may be counted as participating for the purposes of determining whether a quorum is participating (but only if that person's Appointor is not participating); and

(b) may participate in a unanimous decision of the Directors (but only if his Appointor is an Eligible Director in relation to that decision and does not participate).

No Alternate may be counted as more than one Director for such purposes.

11.7 An Alternate Director is not entitled to receive any remuneration from the Company for serving as an Alternate Director except such part of the Alternate's Appointor remuneration as the Appointor may direct by notice in writing made to the Company.

11.8 An Alternate Director's appointment as an Alternate terminates:

(a) when the Alternate's Appointor revokes the appointment by notice to the Company in writing specifying when it is to terminate;

(b) on the occurrence in relation to the Alternate of any event which, if it occurred in relation to the Alternate's Appointor, would result in the termination of the Appointor's appointment as a Director;

(c) on the death of the Alternate's Appointor; or

(d) when the Alternate's Appointor's appointment as a Director terminates, except that an Alternate's appointment as an Alternate does not terminate when the Appointor retires by rotation at a general meeting and is then re-appointed as a Director at the same general meeting.

11.9 A Director who is also an Alternate Director has an additional vote on behalf of each Appointor who is:

(a) not participating in a Directors' meeting; and

(b) would have been entitled to vote if they were participating in it

but shall not count as more than one Director for the purposes of determining whether a quorum is present.

12 PARTICIPATION IN DIRECTORS' MEETINGS

12.1 Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

(a) the meeting has been called and takes place in accordance with these Articles; and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

12.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

12.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

13 QUORUM FOR DIRECTORS' MEETINGS

13.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

13.2 The quorum for Directors' meetings may be fixed from time to time by an ordinary resolution but it must never be less than two, and unless otherwise fixed it is two.

13.3 A person holding office as an Alternate Director shall only be counted in the quorum if his Appointor is not present.

13.4 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:

(a) to appoint further Directors; or

(b) to call a general meeting so as to enable the Shareholders to appoint further Directors.

14 CHAIRING OF DIRECTORS' MEETINGS

14.1 The Directors may appoint a Director to chair their meetings.

14.2 The person so appointed for the time being is known as the Chairman.

14.3 The Directors may terminate the Chairman's appointment at any time.

14.4 If the Chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

15 CASTING VOTE

If the numbers of votes for and against a proposal are equal, the Chairman or other Director chairing the meeting has a casting vote unless the Chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes in accordance with these Articles.

16 CONFLICTS OF INTEREST

16.1 Unless article 16.3 applies, if a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Company in which a Director is interested, that Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16.2 If any of the following apply, a Director who is interested in an actual or proposed transaction or arrangement with the Company is to be counted as participating in the decision making process for quorum and voting purposes:

(a) the Company by ordinary resolution disapplies a provision of these Articles which would otherwise prevent a Director from being counted as participating in the decision-making process;

(b) the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or

(c) the Director's conflict of interest arises from a permitted cause.

16.3 For the purposes of this article, the following are permitted causes:

(a) a guarantee given, or to be given, by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries;

(b) subscription, or an agreement to subscribe, for shares or other securities of the Company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities; and

(c) arrangements pursuant to which benefits are made available to employees and Directors or former employees and Directors of the Company or any of its subsidiaries which do not provide special benefits for Directors or former Directors.

16.4 For the purposes of this article, references to proposed decisions and decision-making processes include any Directors' meeting or part of a Directors' meeting.

16.5 Subject to Article 16.6, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the Chairman whose ruling in relation to any Director other than the Chairman is to be final and conclusive.

16.6 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 RECORDS OF DECISIONS TO BE KEPT

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors. Where decisions of the Directors are taken by electronic means, such decisions must be recorded by the Directors in permanent form so that they may be read by the naked eye.

18 DIRECTORS' DISCRETION TO MAKE FURTHER RULES

Subject to these Articles and the Act, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

19 DIRECTORS MAY CHANGE THE NAME OF THE COMPANY

The Directors may change the name of the Company.

20 METHODS OF APPOINTING DIRECTORS

20.1 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director:

(a) by ordinary resolution; or

(b) by a decision of the Directors.

20.2 In any case where, as a result of death, the Company has no Shareholders and no Directors, the personal representatives of the last Shareholder to have died have the right, by notice in writing, to appoint a person to be a Director.

20.3 For the purposes of article 20.2, where two or more Shareholders die in circumstances rendering it uncertain who was the last to die, a younger Shareholder is deemed to have survived an older Shareholder.

20.4 If as a result of death or Bankruptcy, the Company has no shareholders and no Directors, the Transmittee of the last Shareholder to have died or had a bankruptcy order made against him has the right by notice in writing to appoint any natural person who is willing to act and is permitted to do so, to be a Director.

21 TERMINATION OF DIRECTOR'S APPOINTMENT

A person ceases to be a Director as soon as:

(a) that person ceases to be a Director by virtue of any provision of the Act or is prohibited from being a Director by law; or

(b) a bankruptcy order is made against that person; or

(c) a composition is made with that person's creditors generally in satisfaction of that person's debts; or

(d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or

(e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or

(f) notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms; or

(g) he has, for more than six consecutive months been absent without the permission of the other Directors from meetings of Directors held during that period and the other Directors resolve that he has ceased to be a Director.

22 DIRECTORS' REMUNERATION

22.1 Directors may undertake any services for the Company that the Directors decide.

22.2 Directors are entitled to such remuneration as the Directors determine:

(a) for their services to the Company as Directors; and

(b) for any other service which they undertake for the Company.

22.3 A Director's remuneration may:

(a) take any form, and

(b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.

22.4 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

22.5 Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as Directors or other officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

23 **DIRECTORS' EXPENSES**

The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

(a) meetings of Directors or committees of Directors;

(b) general meetings;

(c) separate meetings of the Holders of any class of Shares or of debentures of the Company; or

otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

24 **SECRETARY**

The Directors may appoint any person who is willing to act as the secretary for such term, at such remuneration and upon such conditions as they may think fit and from time to time remove such person and, if the Directors so decide, appoint a replacement in each case by a decision of the Directors.

25 **POWERS TO ISSUE DIFFERENT CLASSES OF SHARE**

25.1 Without prejudice to the rights attached to any existing Share, the Company may issue Shares with such rights or restrictions as may be determined by ordinary resolution.

25.2 The Company may issue Shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the Holder, and the Directors may determine the terms, conditions and manner of redemption of any such Shares.

26 **DIRECTORS' POWER TO ALLOT SHARES**

The Directors may offer or allot Shares, grant rights to subscribe for or to convert any security into or otherwise deal in, or dispose of Shares on such terms and at such time as they may decide provided that:

(a) the maximum nominal amount of Shares in respect of which the Directors are so authorised is £1,000; and

(b) this authority may only be exercised for a period of five years commencing on the date of incorporation of the Company provided that the Directors may, before such expiry make one or more offers or agreements which would or might require Shares to be allotted after such expiry and the Directors may allot Shares after such authority has expired in pursuance of every such offer or agreement as if the power conferred by these Articles had not expired; and

(c) this authority shall only apply insofar as the Company has not renewed, waived or revoked it by ordinary resolution or by a written resolution in accordance with section 282(2) of the Act.

27 **OFFERS OF NEW SHARES TO EXISTING SHAREHOLDERS**

27.1 The Directors must offer any Shares which they propose to offer or allot or grant rights to subscribe for or to convert any security into or otherwise deal in or dispose of to

Shareholders in accordance with the provisions of this article 27 before allotting them to any other person.

27.2 The Directors must make an offer to allot to each person who is a Shareholder at the date of such offer, a proportion of the Shares being offered that is as nearly as practicable equal to the proportion in nominal value held by him of the equity share capital of the Company (the "**Pre-emption offer**"). Each Pre-emption offer must be made in writing to all Shareholders on the same day and must state:

(a) the aggregate number of Shares to be allotted;

(b) the terms of such allotment; and

(c) the number of Shares offered for sale to the Shareholder to whom the Pre-emption offer is addressed.

27.3 The following conditions must be incorporated in the Pre-emption offer:

(a) if the Shareholder wishes to purchase all or any of the Shares which are subject to the Pre-emption offer (the "**Offered Shares**"), he must accept such offer in writing in accordance with the provisions of article 69 within 14 days of the date of service of the Pre-emption offer (the "**Acceptance**"); and

(b) if the Shareholder wishes to purchase more than the number of Offered Shares he must indicate in the Acceptance, the maximum number of additional Shares he is willing to purchase (the "**Additional Acceptance**"); and

(c) if within 14 days of the date of service of the Pre-emption offer there are Shares which have not been accepted for purchase by the Shareholders, (the **Surplus Shares**"), the Surplus Shares will be allocated to and deemed to be accepted by each Shareholder who has made an Additional Acceptance; and

(d) if there are insufficient Surplus Shares to satisfy all Additional Acceptances, the number of Surplus Shares to be allocated to each Shareholder who has made an Additional Acceptance shall be calculated according to the proportion which the number of Shares held by the relevant Shareholder as at the date of the Pre-emption offer bears to the aggregate number of Shares held by all Shareholders who have made an Additional Acceptance. Each Shareholder who made an Additional Acceptance will be deemed to agree to purchase the number of Surplus Shares allocated to him pursuant to such calculation; and

(e) each Shareholder must no later than five working days after the allocation of Shares to him pay to the Company the total subscription price payable for such Shares and upon payment of such sum, the Company must deliver a share certificate to the relevant shareholder for the number of Shares purchased by him.

27.4 If any Pre-emption offer is not accepted in full, the Directors may within three months after the date of such offer dispose of any Shares referred to in the Pre-emption offer and not allotted to any Shareholder to such person or persons as they think fit but only at the same price and on the same terms which were specified in the Pre-emption offer.

27.5 Sections 561 and 562(1) to (6) of the Act do not apply to the Company.

28 COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS

The Company may recognise in such manner and to such extent as it may in its absolute discretion think fit any trusts in respect of Shares. If the Company does recognise any such trust, it is not bound to see to the execution, administration or observance of any trust (whether express, implied or constructive) in respect of any Shares and shall be entitled to recognise and give effect to the acts and deeds of the Holders of such Shares as if they were the absolute owners of such Shares. In this article, "trust" includes any right in respect of any shares other than an absolute right or any other rights in transmission.

29 **SHARE CERTIFICATES**

29.1 The Company must issue each Shareholder, free of charge, with one or more certificates in respect of the Shares which that Shareholder holds.

29.2 Every certificate must specify:

(a) in respect of how many Shares and of what class it is issued;

(b) the nominal value of those Shares;

(c) the amount paid up on them;

(d) any distinguishing numbers assigned to them.

29.3 No certificate may be issued in respect of Shares of more than one class.

29.4 If more than one person holds a Share, only one certificate may be issued in respect of the Share.

29.5 Certificates must:

(a) have affixed to them the Company's common seal; or

(b) be otherwise executed in accordance with the Companies Acts.

30 **REPLACEMENT SHARE CERTIFICATES**

30.1 If a certificate issued in respect of a Shareholder's Shares is:

(a) damaged or defaced; or

(b) said to be lost, stolen or destroyed,

that Shareholder is entitled to be issued with a replacement certificate in respect of the same Shares.

30.2 A Shareholder exercising the right to be issued with such a replacement certificate:

(a) may at the same time exercise the right to be issued with a single certificate or separate certificates;

(b) must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

(c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

31 **COMPANY'S LIEN OVER PARTLY PAID SHARES**

31.1 The Company has a lien (the "**Company's lien**") over every Share which is partly paid for any part of:

(a) that Share's nominal value, and

(b) any premium at which it was issued,

(c) which has not been paid to the Company, and which is payable immediately or at some time in the future, whether or not a Call Notice has been sent in respect of it.

31.2 The Company's lien over a Share:

(a) takes priority over any third party's interest in that Share, and

(b) extends to any dividend or other money payable by the Company in respect of that Share and (if the lien is enforced and the Share is sold by the Company) the proceeds of sale of that Share.

31.3 The Directors may at any time decide that a Share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part.

32 **ENFORCEMENT OF THE COMPANY'S LIEN**

32.1 Subject to the provisions of this article, if:

(a) a lien enforcement notice has been given in respect of a Share, and

(b) the person to whom the notice was given has failed to comply with it,

the Company may sell that Share in such manner as the Directors decide.

32.2 A lien enforcement notice:

(a) may only be given in respect of a Share which is subject to the Company's lien, in respect of which a sum is payable and the due date for payment of that sum has passed;

(b) must specify the Share concerned;

(c) must require payment of the sum payable within 14 days of the notice;

(d) must be addressed either to the Holder of the Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise; and

(e) must state the Company's intention to sell the Share if the notice is not complied with.

32.3 Where Shares are sold under this article:

(a) the Directors may authorise any person to execute an instalment of transfer of the Shares to the purchaser or a person nominated by the purchaser, and

(b) the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.

32.4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:

(a) first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice,

(b) second, to the person entitled to the Shares at the date of the sale, but only after the certificate for the Shares sold has been surrendered to the Company for cancellation or a suitable indemnity has been given for any lost certificates, and subject to a lien equivalent to the Company's lien over the Shares before the sale for any money payable in respect of the Shares after the date of the lien enforcement notice.

32.5 A statutory declaration by a Director or the Company that the declarant is a Director or the Company and that a Share has been sold to satisfy the Company's lien on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share, and

(b) subject to compliance with any other formalities of transfer required by these Articles or by law, constitutes a good title to the Share.

33 CALL NOTICES

33.1 Subject to these Articles and the terms on which Shares are allotted, the Directors may send a notice (a "**Call Notice**") to a member requiring the member to pay the Company a specified sum of money (a "**Call**") which is payable in respect of Shares which that member holds at the date when the Directors decide to send the Call Notice.

33.2 A Call Notice:

(a) may not require a member to pay a Call which exceeds the total sum unpaid on that member's Shares (whether as to the Share's nominal value or any amount payable to the Company by way of premium);

(b) must state when and how any Call to which it relates it is to be paid; and

(c) may permit or require the Call to be paid by instalments.

33.3 A member must comply with the requirements of a Call Notice, but no member is obliged to pay any Call before 14 days have passed since the notice was sent.

33.4 Before the Company has received any Call due under a Call Notice the Directors may:

(a) revoke it wholly or in part, or

(b) specify a later time for payment than is specified in the notice,

(c) by a further notice in writing to the member in respect of whose Shares the Call is made.

34 LIABILITY TO PAY CALLS

34.1 Liability to pay a Call is not extinguished or transferred by transferring the Shares in respect of which it is required to be paid.

34.2 Joint Holders of a Share are jointly and severally liable to pay all Calls in respect of that Share.

34.3 Subject to the terms on which Shares are allotted, the Directors may, when issuing Shares, provide that Call Notices sent to the Holders of those Shares may require them:

(a) to pay Calls which are not the same, or

(b) to pay Calls at different times.

35 **WHEN CALL NOTICE NEED NOT BE ISSUED**

35.1 A Call Notice need not be issued in respect of sums which are specified, in the terms on which a Share is issued, as being payable to the Company in respect of that Share (whether in respect of nominal value or premium):

(a) on allotment;

(b) on the occurrence of a particular event; or

(c) on a date fixed by or in accordance with the terms of issue.

35.2 If the due date for payment of such a sum has passed and it has not been paid, the Holder of the Share concerned is treated in all respects as having failed to comply with a Call Notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

36 **FAILURE TO COMPLY WITH CALL NOTICE: AUTOMATIC CONSEQUENCES**

36.1 In this article:

(a) the "**Call Payment Date**" is the time when the call notice states that a call is payable, unless the Directors give a notice specifying a later date, in which case the "Call Payment Date" is that later date;

(b) the "**Relevant Rate**" is:

(i) the rate fixed by the terms on which the Share in respect of which the Call is due was allotted;

(ii) such other rate as was fixed in the call notice which required payment of the Call, or has otherwise been determined by the Directors; or

(iii) if no rate is fixed in either of these ways, 5 per cent per annum.

36.2 If a person is liable to pay a Call and fails to do so by the Call Payment Date:

(a) the Directors may issue a notice of intended forfeiture to that person, and

(b) until the Call is paid, that person must pay the Company interest on the Call from the Call Payment Date at the Relevant Rate.

36.3 The Relevant Rate must not exceed by more than 5 percentage points the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998.

36.4 The Directors may waive any obligation to pay interest on a Call wholly or in part.

37 **NOTICE OF INTENDED FORFEITURE**

A notice of intended forfeiture:

(a) may be sent in respect of any Share in respect of which a Call has not been paid as required by a Call Notice;

(b) must be sent to the Holder of that Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise;

(c) must require payment of the Call and any accrued interest by a date which is not less than 14 days after the date of the notice;

(d) must state how the payment is to be made; and

(e) must state that if the notice is not complied with, the Shares in respect of which the Call is payable will be liable to be forfeited.

38 DIRECTORS' POWER TO FORFEIT SHARES

If a notice of intended forfeiture is not complied with before the date by which payment of the call is required in the notice of intended forfeiture, the Directors may decide that any Share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited Shares and not paid before the forfeiture.

39 EFFECT OF FORFEITURE

39.1 Subject to these Articles the forfeiture of a Share extinguishes:

(a) all interests in that Share, and all claims and demands against the Company in respect of it, and

(b) all other rights and liabilities incidental to the Share as between the person whose share it was prior to the forfeiture and the Company.

39.2 Any Share which is forfeited in accordance with these Articles:

(a) is deemed to have been forfeited when the Directors decide that it is forfeited;

(b) is deemed to be the property of the Company; and

(c) may be sold, re-allotted or otherwise disposed of as the Directors think fit.

39.3 If a person's Shares have been forfeited:

(a) the Company must send that person notice that forfeiture has occurred and record it in the register of members;

(b) that person ceases to be a member in respect of those Shares;

(c) that person must surrender the certificate for the Shares forfeited to the Company for cancellation;

(d) that person remains liable to the Company for all sums payable by that person under these Articles at the date of forfeiture in respect of those Shares, including any interest (whether accrued before or after the date of forfeiture); and

(e) the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the Shares at the time of forfeiture or for any consideration received on their disposal.

39.4 At any time before the Company disposes of a forfeited Share, the Directors may decide to cancel the forfeiture on payment of all Calls and interest due in respect of it and on such other terms as they think fit.

40 **PROCEDURE FOLLOWING FORFEITURE**

40.1 If a forfeited Share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the instrument of transfer.

40.2 A statutory declaration by a Director or the Company that the declarant is a Director of the Company and that a Share has been forfeited on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share; and

(b) subject to compliance with any other formalities of transfer required by these Articles or by law, constitutes a good title to the Share.

40.3 A person to whom a forfeited Share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the Share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the Share.

40.4 If the Company sells a forfeited Share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission, and excluding any amount which:

(a) was, or would have become, payable; and

(b) had not, when that Share was forfeited, been paid by that person in respect of that Share;

but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them.

41 **SURRENDER OF SHARES**

41.1 A member may surrender any Share:

(a) in respect of which the Directors may issue a notice of intended forfeiture;

(b) which the Directors may forfeit; or

(c) which has been forfeited.

41.2 The Directors may accept the surrender of any such Share.

41.3 The effect of surrender on a Share is the same as the effect of forfeiture on that Share.

41.4 A Share which has been surrendered may be dealt with in the same way as a Share which has been forfeited.

42 **SHARE TRANSFERS**

42.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor.

42.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any Share.

42.3 The Company may retain any instrument of transfer which is registered.

42.4 The transferor remains the Holder of a Share until the transferee's name is entered in the register of members as Holder of it.

42.5 Subject to Article 42.6, the directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

42.6 Notwithstanding anything otherwise provided in these Articles, any lien on shares which the Company has or any restriction on transfer of shares in the Company shall not apply in respect of any shares which have been charged by way of security to a bank, lender or other financial institution or any nominee thereof or which are transferred in accordance with the provisions of this Article.

42.7 Save as expressly permitted by these Articles, a Shareholder must not enter into any arrangement where the terms upon which that Shareholder holds any Shares are to be varied if as a result any interest in those Shares is varied, disposed of or created or extinguished.

42.8 Notwithstanding any other provision of these Articles, the Directors must not register a transfer of any Share or any interest in any Share to any minor, undischarged bankrupt, trustee in bankruptcy or person of unsound mind.

43 **TRANSMISSION OF SHARES**

43.1 If title to a Share passes to a Transmittee, the Company may only recognise the Transmittee as having any title to that Share.

43.2 A Transmittee who produces such evidence of entitlement to Shares as the Directors may properly require:

(a) may, within 28 clear days of written notice to that effect, choose either to become the Holder of those Shares or to have them transferred to another person (and if no choice is made by the Transmittee, he shall be deemed to have elected to become the Holder of those Shares); and

(b) pending any transfer of the Shares to another person, has the same rights as the Holder had save that the Transmittee does not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of Shares to which he is entitled, by reason of the Holder's death or Bankruptcy or otherwise, unless he becomes the Holder of those Shares.

43.3 Article 42 shall apply to the notice referred to in article 43.2(a) as if it were an instrument of transfer executed by the member and the event resulting in title to the Share passing to the Transmittee had not occurred.

44 **EXERCISE OF TRANSMITTEES' RIGHTS**

44.1 Transmittees who wish to become the Holders of Shares to which they have become entitled must notify the Company in writing of that wish.

44.2 If the Transmittee wishes to have a Share transferred to another person, the Transmittee must execute an instrument of transfer in respect of it.

44.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the Transmittee has derived rights in respect of the Share, and as if the event which gave rise to the transmission had not occurred.

45 TRANSMITTEES BOUND BY PRIOR NOTICES

If a notice is given to a Shareholder in respect of Shares and a Transmittee is entitled to those Shares, the Transmittee is bound by the notice if it was given to the Shareholder before the Transmittee's name or the name of the person nominated under article 43.2 has been entered in the register of members.

46 FRACTIONAL ENTITLEMENTS

46.1 If on any consolidation and division or sub-division of Shares members are entitled to fractions of Shares, the Directors may:

(a) sell the Shares representing the fractions to any person (including the Company) for the best price reasonably obtainable; and

(b) distribute the net proceeds of sale in due proportion among the Holder of the Shares.

46.2 Where any Holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the Directors, that member's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland.

46.3 The person to whom the Shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.

46.4 The transferee's title to the Shares is not affected by any irregularity in or invalidity of the process leading to their sale.

47 PROCEDURE FOR DECLARING DIVIDENDS

47.1 The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends.

47.2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

47.3 No dividend may be declared or paid unless it is in accordance with Shareholders' respective rights.

47.4 Unless the Shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which Shares are issued, specify otherwise, it must be paid by reference to each Shareholder's holding of Shares on the date of the resolution or decision to declare or pay it.

47.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

47.6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

47.7 If the Directors act in good faith, they do not incur any liability to the Holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

48 **CALCULATION OF DIVIDENDS**

48.1 Except as otherwise provided by these Articles or the rights attached to the Shares, all dividends must be:

(a) declared and paid according to the amounts paid up on the Shares on which the dividend is paid; and

(b) apportioned and paid proportionately to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid.

48.2 If any Share is issued on terms providing that it ranks for dividend as from a particular date, that Share ranks for dividend accordingly.

48.3 For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a Share in advance of the due date for payment of that amount.

49 **PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS**

49.1 In these Articles, the "**Distribution Recipient**" means, in respect of a Share on which a dividend or other sum is payable:

(a) the Holder of the Share; or

(b) if the Share has two or more joint Holders, whichever of them is named first in the register of members; or

(c) if the Holder is no longer entitled to the Share by reason of death or Bankruptcy, or otherwise by operation of law, the Transmittee.

49.2 Where a dividend or other sum which is a distribution is payable in respect of a Share, it must be paid by one or more of the following means:

(a) transfer to a bank or building society account specified by the Distribution Recipient either in writing or as the Directors may otherwise decide; or

(b) sending a cheque made payable to the Distribution Recipient by post to the Distribution Recipient at the Distribution Recipient's registered address (if the Distribution Recipient is a Holder of the Share), or (in any other case) to an address specified by the Distribution Recipient either in writing or as the Directors may otherwise decide; or

(c) sending a cheque made payable to such person by post to such person at such address as the Distribution Recipient has specified either in writing or as the Directors may otherwise decide; or

(d) any other means of payment as the Directors agree with the Distribution Recipient either in writing or by such other means as the Directors decide.

50 **NO INTEREST ON DISTRIBUTIONS**

The Company must not pay interest on any dividend or other sum payable in respect of a Share unless otherwise provided by:

(a) the terms on which the Share was issued; or

(b) the provisions of another agreement between the Holder of that Share and the Company.

51 UNCLAIMED DISTRIBUTIONS

51.1 All dividends or other sums which are:

(a) payable in respect of Shares; and

(b) unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

51.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

51.3 If:

(a) 12 years have passed from the date on which a dividend or other sum became due for payment; and

(b) the Distribution Recipient has not claimed it,

the Distribution Recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

52 NON-CASH DISTRIBUTIONS

52.1 Subject to the terms of issue of the Share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a Share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

52.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

(a) fixing the value of any assets;

(b) paying cash to any Distribution Recipient on the basis of that value in order to adjust the rights of recipients; and

(c) vesting any assets in trustees.

53 WAIVER OF DISTRIBUTIONS

Distribution Recipients may waive their entitlement to a dividend or other distribution payable in respect of a Share by giving the Company notice in writing to that effect, but if:

(a) the Share has more than one Holder; or

(b) more than one person is entitled to the Share, whether by reason of the death or Bankruptcy of one or more joint Holders, or otherwise;

(c) the notice is not effective unless it is expressed to be given, and signed, by all the Holders or persons otherwise entitled to the Share.

54 AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS

54.1 The Directors may, if they are so authorised by an ordinary resolution:

(a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

(b) appropriate any sum which they so decide to capitalise (a "**Capitalised Sum**") to the persons who would have been entitled to it if it were distributed by way of dividend (the "**Persons Entitled**") and in the same proportions.

54.2 Capitalised Sums must be applied:

(a) on behalf of the Persons Entitled; and

(b) in the same proportions as a dividend would have been distributed to them.

54.3 Any Capitalised Sum may be applied in paying up new Shares of a nominal amount equal to the Capitalised Sum which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

54.4 A Capitalised Sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

54.5 The Directors may:

(a) apply Capitalised Sums in accordance with articles 54.3 and 54.4 partly in one way and partly in another; and

(b) make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and

(c) authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of Shares and debentures to them under this article.

55 NOTICE OF GENERAL MEETINGS

The notice of a general meeting of the Company must state:

(a) the time and date of the meeting;

(b) the place of the meeting; and

(c) the general nature of the business to be transacted.

56 ANNUAL GENERAL MEETINGS

The Company is not required to hold an annual general meeting.

57 ATTENDANCE AND SPEAKING AT GENERAL MEETINGS

57.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

57.2 A person is able to exercise the right to vote at a general meeting when:

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

(b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

57.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

57.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

57.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

58 **QUORUM FOR GENERAL MEETINGS**

58.1 The quorum at any general meeting of the Company shall be two persons present in person or by proxy or by duly authorised representative save in the case of a company with a single member in which case, one member present in person or by proxy or by duly authorised representative shall be a quorum.

58.2 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

59 **CHAIRING GENERAL MEETINGS**

59.1 If the Directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

59.2 If the Directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

(a) the Directors present; or

(b) (if no Directors are present), the meeting must appoint a Director or Shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

59.3 The person chairing a meeting in accordance with this article is referred to as the "**chairman of the meeting**".

60 **ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS**

60.1 Directors may attend and speak at general meetings, whether or not they are Shareholders.

60.2 The chairman of the meeting may at the relevant meeting permit other persons who are not:

(a) Shareholders of the Company; or

(b) otherwise entitled to exercise the rights of Shareholders in relation to general meetings;

to attend and speak at such meeting.

61 **ADJOURNMENT**

61.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

61.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

(a) the meeting consents to an adjournment; or

(b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

61.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

61.4 When adjourning a general meeting, the chairman of the meeting must:

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

61.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least seven clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):

(a) to the same persons to whom notice of the Company's general meetings is required to be given; and

(b) containing the same information which such notice is required to contain.

61.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

62 **VOTING: GENERAL**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these Articles.

63 **VOTING: MENTAL DISORDER**

If a court has appointed a person to manage the affairs of a member as a result of a mental disorder of such member, the person appointed by that court may, provided he has not less than 48 hours before the time appointed for the relevant meeting, deposited at the registered office of the Company evidence to the satisfaction of the Directors that he has authority to exercise the right to vote, attend any general meeting of the Company and vote at such meeting whether on a show of hands or on a poll.

64 **ERRORS AND DISPUTES**

64.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

64.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

65 POLL VOTES

65.1 A poll on a resolution may be demanded:

(a) in advance of the general meeting where it is to be put to the vote; or

(b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

65.2 A poll may be demanded by:

(a) the chairman of the meeting;

(b) the Directors;

(c) two or more persons having the right to vote on the resolution; or

(d) a person or persons representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote on the resolution.

65.3 A demand for a poll may be withdrawn if:

(a) the poll has not yet been taken; and

(b) the chairman of the meeting consents to the withdrawal

and such demand will not invalidate the result of a show of hands declared before the demand was made.

65.4 Polls must be taken immediately and in such manner as the chairman of the meeting directs. The result of the poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.

65.5 A demand for a poll does not prevent a general meeting from continuing except as regards the question on which the poll was demanded.

65.6 No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven days' notice must be given specifying the time and place at which the poll is to be taken.

66 CONTENT OF PROXY NOTICES

66.1 Proxies may only validly be appointed by a notice in writing (a "**Proxy Notice**") which:

(a) states the name and address of the Shareholder appointing the proxy;

(b) identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the Shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and

(d) is delivered to the Company in accordance with these Articles and any instructions contained in the notice of the general meeting to which they relate.

66.2 The Company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

66.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

66.4 Unless a proxy notice indicates otherwise, it must be treated as:

(a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

(b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

67 DELIVERY OF PROXY NOTICES

67.1 Any notice of a general meeting must specify the address or addresses ("**Proxy Notification Address**") at which the Company or its agents will receive proxy notices relating to that meeting, or any adjournment of it, delivered in hard copy or electronic form.

67.2 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

67.3 Subject to articles 67.4 and 67.5, a proxy notice must be delivered to a Proxy Notification Address not less than 48 hours before the general meeting or adjourned meeting which it relates. A Proxy Notice which is not delivered in such manner shall be invalid unless the Directors in their absolute discretion accept the Proxy Notice at any time before the meeting.

67.4 In the case of a poll taken more than 48 hours after it is demanded, the notice must be delivered to a Proxy Notification Address not less than 24 hours before the time appointed for the taking of the poll.

67.5 In the case of a poll not taken during the meeting but taken not more than 48 hours after it was demanded, the Proxy Notice must be delivered:

(a) in accordance with article 67.3; or

(b) at the meeting at which the poll was demanded to the chairman, secretary or any Director.

67.6 An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.

67.7 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

67.8 If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the Appointor's behalf.

68 AMENDMENTS TO RESOLUTIONS

68.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:

(a) notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and

(b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

68.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:

(a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

68.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

69 **NOTICES AND COMMUNICATION**

69.1 The Company may send, supply or give any document, information or notice to a Shareholder by hard copy, electronic form or by making that document or information available on a website and giving notice of the availability of that document or information to the relevant Shareholder (provided that Shareholder has individually agreed (or is deemed to have agreed) to the Company sending or supplying documents or information generally or those documents or information in question to him by means of a website), in each case subject to the provisions of sections 1143 to 1148 and Schedule 5 of the Act.

69.2 A notice given by means of a website shall be deemed to have been sent, supplied or given when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

69.3 Any document, information or notice which is required to be sent or given to the Company shall be sent by hard copy or electronic form in each case, subject to the provisions of sections 1143 to 1148, Schedule 4 and Schedule 5 of the Act.

69.4 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:-

(a) if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five business days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom, if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five business days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

(b) if properly addressed and delivered by hand, when it was given or left at the appropriate address;

(c) if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and

(d) if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a working day.

69.5 Proof that an envelope containing a document, notice or information was properly addressed, prepaid and posted shall be conclusive evidence that the document, notice or information was sent, supplied or given by post. A comprehensive transaction report or log generated by fax machine, suitably certified by or on behalf of the Company, shall be conclusive evidence that a document, notice or information was sent, supplied or given by fax. A copy of a record of the total number of recipients sent to or each recipient to whom an e-mail message was sent together with any notices of failed transmissions and copies of records of subsequent re-sending, suitably certified by or on behalf of the Company, shall be conclusive evidence that the document, notice or information was sent, supplied or given by e-mail.

69.6 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Act.

69.7 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

69.8 Any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

70 COMPANY SEALS

70.1 Any common seal may only be used by the authority of the Directors.

70.2 The Directors may decide by what means and in what form any common seal is to be used.

70.3 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

70.4 For the purposes of this article, an authorised person is:

(a) any Director of the Company;

(b) the Company secretary (if any); or

(c) any person authorised by the Directors for the purpose of signing documents to which the common seal is applied.

71 NO RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS

Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a Shareholder.

72 PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

73 INDEMNITY AND INSURANCE

73.1 Subject to article 73.2, but without prejudice to any indemnity to which he is otherwise entitled, a Relevant Director may be indemnified out of the Company's assets against:

(a) any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company; and/or

(b) any other liability incurred by that Director as an officer of the Company or an associated company.

73.2 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law.

73.3 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any Relevant Director in respect of any Relevant Loss.

73.4 In this article:

(a) a "**Relevant Director**" means any Director or former Director of the Company or an associated Company;

(b) a "**Relevant Loss**" means any loss or liability which has been or may be incurred by a Relevant Director in connection with that Director's duties or powers in relation to the Company, any associated Company or any pension fund or employees' share scheme of the Company or associated Company; and

(c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

Appendix I – Articles of Association of Deep Sea Atlantic (UK) Ltd.

Articles of association for Deep Sea Atlantic (UK) Ltd

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM AND ARTICLES OF ASSOCIATION

of

DEEP SEA ATLANTIC (UK) LTD

(Company incorporated as Newco DSA (UK) Ltd, and subsequently changed name to Deep Sea Atlantic (UK) Ltd)

Burness Paull LLP
50 Lothian Road, Festival Square, Edinburgh EH3 9WJ
Telephone: 0131 473 6000 FAS: 8810
www.burnesspaull.com

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION OF

DEEP SEA ATLANTIC (UK) LTD

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share each.

Name of each subscriber	Authentication by each subscriber
Odfjell Invest Ltd	

Dated: 27/01/17

ARTICLES OF ASSOCIATION

OF

DEEP SEA ATLANTIC (UK) LTD

INDEX

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

DEEP SEA ATLANTIC (UK) LTD

("the Company")

1 INTERPRETATION

1.1 Defined Terms

In these Articles, unless the context requires otherwise:-

"**Act**" means the Companies Act 2006;

"**Articles**" means the Company's articles of association;

"**Associated Company**" means any holding company or subsidiary company of the Company or any company which is a subsidiary of a holding company of the Company;

"**Bankruptcy**" includes individual insolvency proceedings in a jurisdiction other than Scotland which have an effect similar to that of bankruptcy;

"**Capitalised Sum**" has the meaning given to it in Article 11.1.1.2;

"**Chairman**" means the person appointed as Chairman of the board in accordance with Article 5.4;

"**Chairman of the meeting**" has the meaning given in Article 12.3.3;

"**Director**" means a director of the Company, and includes any person occupying the position of director, by whatever name called;

"**Distribution Recipient**" has the meaning given in Article 10.2.2;

"**Eligible Director**" means a Director eligible to be counted in a quorum for a Directors' meeting in respect of a particular matter and to vote on such matter to be considered at a Directors' meeting;

"**Fully Paid**" in relation to a Share, means that the nominal value and any premium to be paid to the Company in respect of that Share have been paid or credited as paid to the Company;

"**Holder**" in relation to Shares means the person whose name is entered in the register of members as the holder of the Shares;

"**Ordinary Resolution**" has the meaning given in Section 282 of the Act;

"**Persons Entitled**" has the meaning given in Article 11.1.1.2;

"**Proxy Notice**" has the meaning given in Article 13.4;

"**Shareholder**" means a person who is the Holder of a Share;

"**Shares**" means shares in the capital of the Company;

"**Special Resolution**" has the meaning given in Section 283 of the Act;

"**Subsidiary**" has the meaning given in Section 1159 of the Act;

"**Transmittee**" means a person entitled to a Share by reason of the death or Bankruptcy of a Shareholder or otherwise by operation of law; and

"**Written Resolution**" has the meaning given in Section 288 of the Act.

1.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Act as in force on the date when these Articles become binding on the Company.

1.3 These Articles exclude the model articles prescribed by the Companies (Model Articles) Regulations 2008.

2 LIMITATION OF LIABILITY

2.1 Liability of members

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

3 DIRECTORS' POWERS AND RESPONSIBILITIES

3.1 Directors' general authority

Subject to these Articles, the Directors are responsible for the management of the Company's business and the Directors may exercise all the powers of the Company.

3.2 Shareholders' reserve power

3.2.1 The Shareholders may, by Special Resolution, direct the Directors to take, or refrain from taking, specified action or actions.

3.2.2 No Special Resolution directing the Directors to take or refrain from taking a specified action or specified actions shall invalidate anything done by the Directors, before the passing of the Special Resolution, which would have otherwise be valid.

3.3 **Directors may appoint agents**

Subject to these Articles, the Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company on such terms and conditions as the Directors determine, including authority for the agent to delegate all or any of his powers and the Directors may at any time revoke any appointment in whole or in part.

3.4 **Directors may delegate**

3.4.1 Subject to these Articles, the Directors may delegate any of the powers which are conferred on them under these Articles to any committee consisting of one or more Directors or to any Director holding any executive office.

3.4.2 Unless the Directors specify otherwise, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated to any employee or agent of the Company.

3.4.3 Any delegation may be made subject to such terms and conditions as the Directors may specify and the Directors may at any time revoke any delegation in whole or part, or alter its terms and conditions.

3.5 **Committees**

3.5.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Articles which govern the taking of decisions by Directors.

3.5.2 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from these Articles if they are not consistent with them.

3.5.3 The Directors may co-opt persons other than Directors on to any committee. Any such co-opted person may enjoy voting rights in the committee. The co-opted persons shall be less than one half of the total membership of the committee and a resolution of any committee shall be effective only if a majority of the members present are Directors.

3.6 **Offices including the title "Director"**

The Directors may appoint any person to any office or employment having a designation or title including the word "Director" or attach such a designation or title to any existing office or employment with the Company and may terminate any such appointment or the use of any such designation or title. The inclusion of the word "Director" in the designation or title of any such office or employment shall not imply that the holder is a Director of the Company, and the holder shall not thereby be empowered in any respect to act as, or be deemed to be, a Director of the Company for any of the purposes of these Articles.

3.7 **Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money without limit as to amount, upon such terms and in such manner as they think fit, and to grant any mortgage, charge or standard security over the undertaking, property and uncalled capital of the Company or any part thereof.

4 DECISION MAKING BY DIRECTORS

4.1 **Directors to take decisions collectively**

4.1.1 Any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 4.2.

4.1.2 If the Company only has one Director, Article 4.1.1 does not apply, and the sole Director may take decisions without regard to any of the provisions of these Articles relating to Directors' decision-making.

4.2 **Unanimous decisions**

4.2.1 A decision of the Directors is taken in accordance with this Article when all Eligible Directors unanimously agree on such a decision.

4.2.2 Such a decision shall take the form of a resolution in writing, a copy of which has been signed by each Eligible Director, or several copies of which have been signed by one or more Eligible Directors, or to which each Eligible Director has otherwise indicated agreement in writing.

4.2.3 References in these Articles to Eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting.

4.2.4 A decision may not be taken in accordance with this Article 4.2 if the Eligible Directors would not have formed a quorum at a Directors' meeting convened to consider the decision.

4.3 **Records of decisions to be kept**

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the relevant date of all proceedings at Directors' meetings and of committees of Directors (including the names of the Directors present at each such meeting) and of all decisions otherwise made or considered by Directors.

4.4 **Directors' discretion to make further rules**

Subject to these Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

5 DIRECTORS' MEETINGS

5.1 Calling a Directors' meeting

5.1.1 Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the Company secretary (if any) to give such notice.

5.1.2 Notice of any Directors' meeting must indicate:-

5.1.2.1 its proposed date and time;

5.1.2.2 where it is to take place; and

5.1.2.3 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

5.1.3 Notice of a Directors' meeting must be given to each Director and shall be in writing.

5.1.4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice in writing of that meeting, by giving notice to that effect to the Company prior to the date of the meeting or not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

5.2 Participation in Directors' meetings

5.2.1 Directors participate in a Directors' meeting, or part of a Directors' meeting, when:-

5.2.1.1 the meeting has been called and takes place in accordance with these Articles, and

5.2.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

5.2.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other, provided that all parties participating in the Directors' meeting can speak to and be heard by all those participating in the meeting simultaneously.

5.2.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

5.3 **Quorum for Directors' meetings**

5.3.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

5.3.2 The minimum quorum for Directors' meetings shall, subject to Article 5.3.3, be two Eligible Directors.

5.3.3 Where the Company has a sole Director or only one Director is eligible to be counted in the quorum and vote on a matter, the quorum is one.

5.4 **Chairing of Directors' meetings**

5.4.1 The Directors may appoint a Director to chair their meetings.

5.4.2 The person so appointed for the time being is known as the Chairman.

5.4.3 The Directors may terminate the Chairman's appointment at any time.

5.4.4 If no Chairman is at that time appointed, or the Chairman is unwilling to preside at a meeting or the Chairman is not present within ten minutes of the time at which a Directors' meeting was to start, the Directors present shall appoint one of themselves to be the chairman of the meeting.

5.5 **Chairman's casting vote**

If the number of votes cast by Eligible Directors for and against a proposal at a Directors' meeting are equal, the Chairman or other Director chairing a Directors' meeting shall have an additional casting vote provided the Chairman is an Eligible Director.

6 DIRECTOR'S INTERESTS

6.1 **Disclosure of Director's Interests**

6.1.1 Subject to the provisions of the Act and provided he has in accordance with the Act disclosed to the Directors the nature and extent of any direct or indirect interest of his, a Director notwithstanding his office:-

6.1.1.1 may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is any way interested;

6.1.1.2 may be a Director or other officer of or employed by or be a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is in any way interested;

6.1.1.3 may (and any firm or company or limited liability partnership of which he is a partner or member or Director may) act in a professional capacity for the Company or any body corporate in which the Company is in any way interested;

6.1.1.4 shall not by reason of his office be accountable to the Company for any benefit which he derives from such office, service or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and

6.1.1.5 shall be entitled to vote and be counted in the quorum on any matter set out in this Article.

6.2 **Director's Conflict of Interest**

6.2.1 The Directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisations) authorise, to the fullest extent permitted by law:-

6.2.1.1 any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including conflict of interest and duty or conflict of duties);

6.2.1.2 a Director to accept or continue in any office, employment or position in addition to his office as a Director and without prejudice to Article 6.2.1.1 may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises,

provided that for this purpose the Director in question and any other interested Director are not counted in the quorum at any Directors' meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

6.2.2 If a matter, or office, employment or position, has been authorised by the Directors in accordance with Article 6.2 then:-

6.2.2.1 the Director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;

6.2.2.2 the Director may absent himself from Directors' meetings at which anything relating to that matter, or that office, employment or position, will or may be discussed; and

6.2.2.3 the Director may make such arrangement as such Director thinks fit for Directors' meeting and committee papers to be received and read by a professional adviser on behalf of that Director.

6.2.3 A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the Directors under Article 6.2 (subject always in any such case to any limits or conditions to which such approval was subject).

6.2.4 Article 6.2 is without prejudice to the operation of Article 6.1.

7 APPOINTMENT OF DIRECTORS

7.1 Methods of appointing Directors

7.1.1 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director:-

7.1.1.1 by Ordinary Resolution, or

7.1.1.2 by a decision of the Directors.

7.1.2 In any case where, as a result of death, the Company has no Shareholders and no Directors, the personal representatives of the last Shareholder to have died have the right, by notice in writing, to appoint a person to be a Director.

7.1.3 For the purposes of Article 7.1.2, where two or more Shareholders die in circumstances rendering it uncertain who was the last to die, a younger Shareholder is deemed to have survived an older Shareholder.

7.2 Number of Directors

7.2.1 The maximum number and minimum number respectively of the Directors may be determined from time to time by Ordinary Resolution. Subject to and in default of any such determination, there shall be no maximum number of Directors and the minimum number of Directors shall be not less than one.

7.2.2 Where the number of appointed Directors is less than the number fixed as a quorum of Directors, such Directors or Director may act only for the purpose of proposing an Ordinary Resolution to appoint a further Director or Directors.

7.3 **Retirement by rotation**

The Directors shall not be required to retire by rotation.

7.4 **Appointment of Director**

7.4.1 No person shall be appointed as a Director by Ordinary Resolution unless either:-

7.4.1.1 he is recommended by the Directors; or

7.4.1.2 seven days prior to the circulation of the relevant Written Resolution or the notice of general meeting to Shareholders, notice signed by a Shareholder qualified to vote on the Ordinary Resolution has been given to the Company of the identity of the person proposed to be appointed as a Director together with notice signed by that person of his willingness to be appointed.

7.5 **Termination of Director's appointment**

7.5.1 A person ceases to be a Director as soon as:-

7.5.1.1 that person ceases to be a Director by virtue of any provision of the Act or is prohibited from being a Director by law;

7.5.1.2 a Bankruptcy order is made against that person;

7.5.1.3 an arrangement or composition is made with that person's creditors generally in satisfaction of that person's debts;

7.5.1.4 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

7.5.1.5 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or

7.5.1.6 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms.

7.6 **Directors' remuneration**

7.6.1 Directors may undertake any services for the Company that the Directors decide.

7.6.2 Directors are entitled to such remuneration as the Directors determine:-

7.6.2.1 for their services to the Company as Directors, and

7.6.2.2 for any other service which they undertake for the Company.

7.6.3 A Director's remuneration may:-

7.6.3.1 take any form, and

7.6.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director and any member of his family (including a spouse and a former spouse).

7.6.4 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

7.6.5 Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as Directors or other officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

7.7 **Directors' expenses**

7.7.1 The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:-

7.7.1.1 meetings of Directors or committees of Directors,

7.7.1.2 general meetings, or

7.7.1.3 separate meetings of the holders of any class of Shares or of debentures of the Company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

8 SHARES AND DISTRIBUTIONS

8.1 All shares to be fully paid up

8.1.1 No Share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.

8.1.2 This does not apply to Shares taken on the formation of the Company by the subscribers to the Company's memorandum.

8.2 Powers to issue different classes of share

8.2.1 Subject to these Articles, but without prejudice to the rights attached to any existing share, the Company may issue Shares with such rights or restrictions as may be determined by the Directors.

8.2.2 The Company may issue Shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the Holder, and the Directors may determine the terms, conditions and manner of redemption of any such Shares.

8.3 Trusts may be recognised

Except as required by law, or as otherwise provided by these Articles, the Company shall not be bound by or recognise any interest in a Share other than the Holder's absolute ownership of it and all the rights attaching to it. The Company shall however be entitled to register trustees as such in respect of any Shares.

8.4 Share certificates

8.4.1 The Company must issue each Shareholder, free of charge, with one or more certificates in respect of the Shares which that Shareholder holds and upon transferring a part of his holding of Shares of any class the Company shall issue to such Shareholder, free of charge, a certificate in respect of the balance of the Shares held.

8.4.2 Every certificate must specify:-

8.4.2.1 in respect of how many Shares, of what class, it is issued;

8.4.2.2 the nominal value of those Shares; and

8.4.2.3 that the Shares are fully paid.

8.4.3 No certificate may be issued in respect of Shares of more than one class.

8.4.4 If more than one person holds a Share, only one certificate shall be issued in respect of it.

8.4.5 Certificates must:-

8.4.5.1 have affixed to them the Company's common seal, or

8.4.5.2 be otherwise executed in accordance with the Act.

8.5 **Replacement share certificates**

8.5.1 If a certificate issued in respect of a Shareholder's Shares is:-

8.5.1.1 damaged or defaced; or

8.5.1.2 said to be lost, stolen or destroyed;

that Shareholder is entitled to be issued with a replacement certificate in respect of the same Shares.

8.5.2 A Shareholder exercising the right to be issued with such a replacement certificate:-

8.5.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

8.5.2.2 must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

8.5.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

9 **TRANSFER AND TRANSMISSION OF SHARES**

9.1 **Share transfers**

9.1.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor and when lodged for registration shall be accompanied by the relevant share certificate and such other evidence (if any) as the Directors may require to prove the title of the intending transferor.

9.1.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any Share.

9.1.3 The Company may retain any instrument of transfer which is registered.

9.1.4 The transferor remains the Holder of a Share until the transferee's name is entered in the register of members as Holder of it.

9.1.5 The Directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

9.2 Transmission of Shares

9.2.1 If title to a Share passes to a Transmittee, the Company may only recognise the Transmittee as having any title to that Share.

9.2.2 A Transmittee who produces such evidence of entitlement to Shares as the Directors may properly require:-

9.2.2.1 may choose either to become the Holder of those Shares or to have them transferred to another person, and

9.2.2.2 pending any transfer of the Shares to another person and subject to Article 9.2.3, has the same rights as the Holder had.

9.2.3 Transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of Shares to which they are entitled, by reason of the Holder's death or Bankruptcy or otherwise, unless they become the Holders of those Shares.

9.3 Exercise of Transmittees' rights

9.3.1 Transmittees who wish to become the Holders of Shares to which they have become entitled must notify the Company in writing of that wish.

9.3.2 If the Transmittee wishes to have a Share transferred to another person, the Transmittee must execute an instrument of transfer in respect of it.

9.3.3 Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the Transmittee has derived rights in respect of the Share, and as if the event which gave rise to the transmission had not occurred.

9.4 Transmittees bound by prior notices

If a notice is given to a Shareholder in respect of Shares and a Transmittee is entitled to those Shares, the Transmittee is bound by the notice if it was given to the Shareholder before the Transmittee's name has been entered in the register of members.

10 DIVIDENDS AND OTHER DISTRIBUTIONS

10.1 Procedure for declaring dividends

10.1.1 Subject to the provisions of the Act, the Company may by Ordinary Resolution declare dividends, and the Directors may decide to pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

10.1.2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

10.1.3 No dividend may be declared or paid unless it is in accordance with Shareholders' respective rights.

10.1.4 Unless the terms on which Shares are issued specify otherwise, dividends must be paid by reference to each Shareholder's holding of Shares on the date of the resolution or decision to declare or pay it.

10.1.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

10.1.6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

10.1.7 If the Directors act in good faith, they do not incur any liability to the Holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

10.2 **Payment of dividends and other distributions**

10.2.1 Where a dividend or other sum which is a distribution is payable in respect of a Share, it must be paid by one or more of the following means:-

10.2.1.1 transfer to a bank or building society account specified by the Distribution Recipient in writing;

10.2.1.2 sending a cheque made payable to the Distribution Recipient by post to the Distribution Recipient at the Distribution Recipient's registered address (if the Distribution Recipient is a Holder of the Share), or (in any other case) to an address specified by the Distribution Recipient in writing;

10.2.1.3 sending a cheque made payable to such person by post to such person at such address as the Distribution Recipient has specified in writing; or

10.2.1.4 any other means of payment as the Directors agree with the Distribution Recipient in writing.

10.2.2 In these Articles, "**Distribution Recipient**" means, in respect of a Share in respect of which a dividend or other sum is payable:-

10.2.2.1 the Holder of the Share; or

10.2.2.2 if the Share has two or more joint Holders, whichever of them is named first in the register of members; or

10.2.2.3 if the Holder is no longer entitled to the Share by reason of death or Bankruptcy, or otherwise by operation of law, the Transmittee.

10.3 **No interest on distributions**

The Company shall not pay interest on any dividend or other sum payable in respect of a Share unless otherwise provided by the terms on which the Share was issued.

10.4 **Unclaimed distributions**

10.4.1 All dividends or other sums which are:-

10.4.1.1 payable in respect of Shares, and

10.4.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

10.4.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

10.4.3 If:-

10.4.3.1 12 years have passed from the date on which a dividend or other sum became due for payment, and

10.4.3.2 the Distribution Recipient has not claimed it,

the Distribution Recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

10.5 **Non-cash distributions**

10.5.1 Subject to the terms of issue of the Share in question, the Company may, by Ordinary Resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a Share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

10.5.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:-

10.5.2.1 fixing the value of any assets;

10.5.2.2 paying cash to any Distribution Recipient on the basis of that value in order to adjust the rights of recipients; and

10.5.2.3 vesting any assets in trustees.

10.6 **Waiver of distributions**

10.6.1 Distribution Recipients may waive their entitlement to a dividend or other distribution payable in respect of a Share by giving the Company notice in writing to that effect, but if:-

10.6.1.1 the Share has more than one Holder, or

10.6.1.2 more than one person is entitled to the Share, whether by reason of the death or Bankruptcy of one or more joint Holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the Holders or persons otherwise entitled to the Share.

11 CAPITALISATION OF PROFITS

11.1 **Authority to capitalise and appropriation of capitalised sums**

11.1.1 Subject to these Articles and the provisions of the Act, the Directors may, if they are so authorised by an Ordinary Resolution:-

11.1.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

11.1.1.2 appropriate any sum which they so decide to capitalise ("**Capitalised Sum**") to the persons who would have been entitled to it if it were distributed by way of dividend ("**the Persons Entitled**") and in the same proportions.

11.1.2 Capitalised Sums must be applied:-

11.1.2.1 on behalf of the Persons Entitled, and

11.1.2.2 in the same proportions as a dividend would have been distributed to them.

11.1.3 Any Capitalised Sum may be applied in paying up new Shares of a nominal amount equal to the Capitalised Sum which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

11.1.4 A Capitalised Sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the

Company which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

11.1.5 Subject to these Articles, the Directors may:-

11.1.5.1 apply Capitalised Sums in accordance with Articles 11.1.3 and 11.1.4 partly in one way and partly in another;

11.1.5.2 make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and

11.1.5.3 authorise any person to enter into an agreement with the Company on behalf of all the Persons Entitled which is binding on them in respect of the allotment of Shares and debentures to them under this Article.

12 ORGANISATION OF GENERAL MEETINGS

12.1 Attendance and speaking at general meetings

12.1.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

12.1.2 A person is able to exercise the right to vote at a general meeting when:-

12.1.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

12.1.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

12.1.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

12.1.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

12.1.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

12.2 **Quorum for general meetings**

No business other than the appointment of the Chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

12.3 **Chairing general meetings**

12.3.1 If the Directors have appointed a Chairman pursuant to Article 5.4, the Chairman shall chair general meetings if present and willing to do so.

12.3.2 If the Directors have not appointed a Chairman, or if the Chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:-

12.3.2.1 the Directors present, or

12.3.2.2 (if no Directors are present), the Shareholder present,

shall appoint a Director or Shareholder to chair the meeting, and the appointment of the Chairman of the meeting shall be the first business of the meeting.

12.3.3 The person chairing a meeting in accordance with this Article is referred to as "**the Chairman of the meeting**".

12.4 **Attendance and speaking by Directors and non-Shareholders**

12.4.1 Directors may attend and speak at general meetings, whether or not they are Shareholders.

12.4.2 The Chairman of the meeting may permit other persons who are not:-

12.4.2.1 Shareholders of the Company, or

12.4.2.2 otherwise entitled to exercise the rights of Shareholders in relation to general meetings,

to attend and speak at a general meeting.

12.5 **Adjournment**

12.5.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chairman of the meeting must adjourn it.

12.5.2 The Chairman of the meeting may adjourn a general meeting at which a quorum is present if:-

12.5.2.1 the meeting consents to an adjournment, or

12.5.2.2 it appears to the Chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

12.5.3 The Chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

12.5.4 When adjourning a general meeting, the Chairman of the meeting must:-

12.5.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors, and

12.5.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

12.5.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least seven clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):-

12.5.5.1 to the same persons to whom notice of the Company's general meetings is required to be given, and

12.5.5.2 containing the same information which such notice is required to contain.

12.5.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

13 VOTING AT GENERAL MEETINGS

13.1 Voting: general

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these Articles.

13.2 Errors and disputes

13.2.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

13.2.2 Any such objection must be referred to the Chairman of the meeting, whose decision is final.

13.3 **Poll votes**

13.3.1 A poll on a resolution may be demanded:-

13.3.1.1 in advance of the general meeting where it is to be put to the vote, or

13.3.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

13.3.2 A poll may be demanded by:-

13.3.2.1 the Chairman of the meeting;

13.3.2.2 the Directors;

13.3.2.3 two or more persons having the right to vote on the resolution; or

13.3.2.4 a person or persons representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote on the resolution.

13.3.3 A demand for a poll may be withdrawn if:-

13.3.3.1 the poll has not yet been taken, and

13.3.3.2 the Chairman of the meeting consents to the withdrawal.

13.3.4 Polls must be taken immediately and in such manner as the Chairman of the meeting directs.

13.4 **Content of Proxy Notices**

13.4.1 Proxies may only validly be appointed by a notice in writing ("**a Proxy Notice**") which:-

13.4.1.1 states the name and address of the Shareholder appointing the proxy;

13.4.1.2 identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;

13.4.1.3 is signed by or on behalf of the Shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and

13.4.1.4 is delivered to the Company in accordance with these Articles and any instructions contained in the notice of the general meeting to which they relate.

13.4.2 The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.

13.4.3 Proxy Notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

13.4.4 Unless a Proxy Notice indicates otherwise, it must be treated as:-

13.4.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any amendment to a resolution and on ancillary or procedural resolutions put to the meeting, and

13.4.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

13.5 **Delivery of Proxy Notices**

13.5.1 A Proxy Notice must be delivered to the Company not less than 48 hours before the general meeting or adjourned meeting to which it relates.

13.5.2 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

13.5.3 An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.

13.5.4 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

13.5.5 If a Proxy Notice or a notice revoking a proxy appointment is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

13.6 **Amendments to resolutions**

13.6.1 An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:-

13.6.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chairman of the meeting may determine), and

13.6.1.2 the proposed amendment does not, in the reasonable opinion of the Chairman of the meeting, materially alter the scope of the resolution.

13.6.2 A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:-

13.6.2.1 the Chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

13.6.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

13.6.3 If the Chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chairman's error does not invalidate the vote on that resolution.

13.7 **Records of members**

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the relevant date of all proceedings at general meetings of the Company.

14 ADMINISTRATIVE ARRANGEMENTS

14.1 **Means of communication to be used**

14.1.1 Subject to these Articles, anything sent or supplied by or to the Company under these Articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Company.

14.1.2 Subject to these Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

14.1.3 The times of deemed delivery of documents and information specified in Sections 1147(2) and 1147(3) of the Act shall be amended as follows:-

14.1.3.1 subject to the other requirements of Section 1147(2) of the Act, documents or information sent by first class post to an address in the UK shall be deemed to have been received by the intended recipient 24 hours after it was posted;

14.1.3.2 subject to the other requirements of Section 1147(2) of the Act, documents or information sent by second class post to an address in the UK shall be deemed to have been received by the intended recipient 48 hours after it was posted; and

14.1.3.3 subject to the other requirements of Section 1147(3) of the Act, documents or information sent or supplied by electronic means shall be deemed to have been received 24 hours after it was sent.

14.2 **Company seals**

14.2.1 Any common seal may only be used by the authority of the Directors.

14.2.2 The Directors may decide by what means and in what form any common seal is to be used.

14.2.3 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

14.2.4 For the purposes of this Article, an authorised person is:-

14.2.4.1 any Director of the Company;

14.2.4.2 the company secretary (if any); or

14.2.4.3 any person authorised by the Directors for the purpose of signing documents to which the common seal is applied.

14.3 **No right to inspect accounts and other records**

Except as provided by law or authorised by the Directors or an Ordinary Resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents merely by virtue of being a Shareholder.

14.4 **Provision for employees on cessation of business**

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

15 INSURANCE AND INDEMNITY

15.1 Insurance

Without prejudice to the provisions of Article 15.2, the Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any person who is or was:-

15.1.1 a Director, officer or employee of the Company or any Associated Company; or

15.1.2 a trustee of any pension fund in which employees of the Company or any other body referred to in Article 15.1.1 is or has been interested,

including without limitation insurance against any liability incurred by such person in respect of any act or omission in the actual or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to the relevant body or fund.

15.2 Indemnity

15.2.1 Every Director or other officer or auditor of the Company or any Associated Company shall be entitled, if determined by the Directors and to the extent so determined by the Directors, to be indemnified out of the assets of the Company to the fullest extent permitted by Sections 232, 233, 234 and 532 of the Act against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 661 or Section 1157 of the Act in which relief is granted to him by the court and such indemnity shall extend (if so determined) to former Directors, other officers and auditors of the Company or of any Associated Company. Subject to Article 15.2.4 no Director, former Director or other officer or former officer shall be liable for any loss, damage or misfortune which shall happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

15.2.2 The Directors shall have power in accordance with Section 233 of the Act to purchase and maintain for any Director or former Director or other officer or former officer of the Company or of any Associated Company insurance against any such liability as is referred to in Section 232 of the Act.

15.2.3 The Company is authorised to enter into a loan arrangement with a Director, former Director or other officer or former officer of the Company or of any Associated Company, but only on terms that comply in full with Section 205 of the Act, to enable that Director, former Director or other officer or former officer to meet any liability incurred in defending such proceedings or making such application for relief as that liability is incurred.

15.2.4 This Article 15 shall only have effect to the extent that its provisions are not avoided by Section 232, 233, 234 and 532 of the Act.

Addition to articles of association for Deep Sea Atlantic (UK) Ltd

DEEP SEA ATLANTIC (UK) LTD.

(incorporated in England and Wales with company number 10589884)
(the "Company")

Written Resolution of the sole Member of the Company

Circulation date: [9] March 2017

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the following resolution be passed as an ordinary resolution in accordance with section 282 of the Companies Act 2006 (the "**Ordinary Resolution**") to approve, inter alia (1) the adoption by the Company of a proposed decision-making matrix relating to a range of matters, from goals and strategy, to rig management policy, to finance and accounting (the "**Decision Guidelines**"); (2) the purchase by the Company of the rig "Deepsea Atlantic" presently registered in the Singapore Registry of Ships with IMO No. 8769042 (the "**Rig**") from Deep Sea Atlantic Pte. Ltd. ("**DSA**") pursuant to a memorandum of agreement to be entered into between the Company and DSA and the entry by the Company into certain related documents, including, without limitation, a sellers' credit agreement to be entered into with DSA for the full purchase price of USD 520,000,000 (the "**Purchase Documents**"); (3) in connection with the Purchase Documents and the transactions contemplated therein, the accession by the Company into certain financing arrangements related to the Rig, including without limitation a USD 525,000,000 term loan facility agreement entered into between, inter alia, Odfjell Invest Ltd. as borrower and DNB Bank ASA as facility agent and certain other financial institutions listed therein (the "**Existing OIL Facility Agreement**") and the entry by the Company into certain documents in connection therewith, including, without limitation, an amendment no. 2 to the Existing OIL Facility Agreement pursuant to which the Company shall accede to the Existing OIL Facility Agreement as obligor and guarantor and certain security documents relating thereto, including, without limitation, a first priority mortgage over the Rig (the "**Financing Documents**"); and (4) the entry by the Company into certain service agreements to be entered into with Odfjell Drilling Deep Sea Management DMCC and Odfjell Drilling AS respectively (the "**Service Agreements**").

ORDINARY RESOLUTION

We, being the sole member entitled to attend and vote at meetings of the Company convened for the purpose of passing or sanctioning the following ordinary resolutions, hereby resolve unanimously in accordance with Chapter 2 of Part 13 of the Companies Act 2006 as follows:

1 **THAT** it would promote the success of the Company for the benefit of its members as a whole, and be to the further benefit and advantage of the Company to enter into the Decision Guidelines, the Purchase Transaction, the Financing Transaction and the Service Agreements and to enter into any such other documents and to give any communication or take any other action required (including signing and/or despatching all documents compliance certificates, and any other notices and acknowledgements, letters, instruments, applications, confirmations, undertakings, instructions, schedules, certificates, oaths, affidavits, declarations, and other documents or certificates of whatever nature necessary required or desirable to be signed and/or despatched) under or in connection

with the Decision Guidelines, the Purchase Transaction, the Financing Transaction and the Service Agreements and the transactions contemplated therein (the "**Ancillary Documents**").

2 **THAT** the Directors are instructed to take any action in connection with the negotiation, execution, delivery and/or performance of the Decision Guidelines, the Purchase Transaction, the Financing Transaction, the Service Agreements and any Ancillary Documents as they shall deem necessary or appropriate.

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the following resolution be passed as a special resolution in accordance with section 283 of the Companies Act 2006 (the "**Special Resolution**") to approve the amendment of the articles of association of the Company:

SPECIAL RESOLUTION

We, being the sole member entitled to attend and vote at meetings of the Company convened for the purpose of passing or sanctioning the following special resolution, hereby resolve unanimously in accordance with Chapter 2 of Part 13 of the Companies Act 2006 as follows:

3 **THAT** with effect from the date hereof the articles of association of the Company be amended by deleting the existing article number 9.1.5 and replacing it with the following new article number 9.1.5:

"Notwithstanding anything contained in these Articles, the directors shall promptly register any transfer of shares and may not suspend registration thereof where such transfer:-

*(i) is to a bank, institution or person to which such shares have been charged by way of security, whether as agent and trustee for a group of banks or institutions or persons or otherwise, or any nominee or any transferee of such bank, institution or person (a "**Secured Party**"); or*

(ii) is delivered to the Company for registration by a Secured Party or its nominee in order to perfect its security over the shares; or

(iii) is executed by a Secured Party or its nominee pursuant to the power of sale or other power under such security,

and furthermore notwithstanding anything to the contrary contained in these Articles no transferor of any shares in the Company or proposed transferor of such shares to a Secured Party or its nominee and no Secured Party or its nominee shall be required to offer the shares which are or are to be the subject of any transfer aforesaid to the shareholders for the time being of the Company or any of them, and no such shareholder shall have any right under the Articles or otherwise howsoever to require such shares to be transferred to them whether for consideration or not."

The Ordinary Resolution and the Special Resolution are hereinafter referred to as the "**Resolution**".

AGREEMENT

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, a person entitled to vote on the Resolution on [ ] March 2017, hereby irrevocably agrees to the Resolution:

Signed by **Odfjell Drilling Limited** ....

(incorporated in Bermuda [-] SIMEN LIEUNGH

with registered number 37607)

Date [9] March 2017

NOTES:

1 If you agree with the Resolution, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company using one of the following methods:

- **By Hand:** delivering the signed copy to Mr Erik Askvik.

2 If you do not agree to the Resolution, you do not need to do anything: you will not be deemed to agree if you fail to reply.

3 Once you have indicated your agreement to the Resolution, you may not revoke your agreement.

4 Unless, by midnight on 20 March 2017, sufficient agreement has been received for the Resolution to pass, it will lapse. If you agree to the Resolution, please ensure that your agreement reaches us before this time.

5 In the case of joint holders of shares, only the vote of the senior holder who votes will be counted by the Company. Seniority is determined by the order in which the names of the joint holders appear in the register of members.

6 If you are signing this document on behalf of a person under a power of attorney or other authority please send a copy of the relevant power of attorney or authority when returning this document.

Appendix J – Articles of Association of Deep Sea Drilling Company AS

VEDTEKTER
FOR
DEEP SEA DRILLING COMPANY AS

Pr. 30. NOVEMBER 2020

§ 1 Selskapets foretaksnavn
Selskapets navn er Deep Sea Drilling Company AS**.**

§ 2 Forretningskommune
Selskapets forretningskontor er i Bergen kommune. Generalforsamling kan også holdes utenfor Bergen kommune.

§ 3 Selskapets virksomhet
Selskapets virksomhet er drift og utleie av plattform for oljeboring og tilknyttet virksomhet.

§ 4 Aksjekapital og aksjer
Selskapets aksjekapital er NOK 30 000 fordelt på 30 000 aksjer pålydende NOK 1.

§ 5 Styret
Selskapets styre består av 1-5 medlemmer etter generalforsamlingens nærmere beslutning. Styrets formann eller to styremedlemmer i fellesskap har selskapets signatur. Styret kan meddele prokura.

§ 6 Generalforsamling
Generalforsamlingen innkalles av styret ved skriftlig henvendelse til alle aksjeeiere med kjent oppholdssted.

§ 7 Særlig om ordinær generalforsamling
På den ordinære generalforsamling behandles og avgjøres:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Andre saker som etter lov eller vedtekter hører inn under generalforsamlingen.

§ 8 Generelle bestemmelser.
For øvrig henvises det til den enhver tid gjeldende aksjelovgivning.

§ 9 Aksjenes omsettelighet.
Selskapets aksjer skal være fritt omsettelige.

Appendix K – Articles of Association of Odfjell Invest AS

VEDTEKTER
for

Odfjell Invest AS
(989 118 765)

pr. 8. november 2018

§1 Selskapets foretaksnavn
Selskapets navn er Odfjell Invest AS.

§2 Forretningskommune
Selskapets forretningskontor er i Bergen kommune. Generalforsamling kan også holdes utenfor Bergen kommune.

§3 Selskapets formål
Selskapets virksomhet er drift og utleie av plattform for oljeboring og tilknyttet virksomhet.

§4 Aksjekapital og aksjer
Selskapets aksjekapital er NOK 200.000 fordelt på 100 aksjer pålydende NOK 2.000

§5 Styret
Selskapets styre består av 1 - 5 medlemmer etter generalforsamlingens nærmere beslutning. Styrets formann eller to styremedlemmer i fellesskap har selskapets signatur. Styret kan meddele prokura.

§6 Generalforsamling
Generalforsamling innkalles av styret ved skriftlig henvendelse til alle aksjeeiere med kjent oppholdssted og skal innkalles med en ukes varsel.

§7 Særlig om ordinær generalforsamling
På den ordinære generalforsamling behandles og avgjøres:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Andre saker som etter lov eller vedtekter hører inn under generalforsamlingen.

§8 Særlig om ekstraordinær generalforsamling
Ekstraordinær generalforsamling avholdes når styret finner det nødvendig eller når det til behandling av et bestemt angitt emne kreves skriftlig av revisor eller av aksjeeiere som representerer minst 10 % av aksjekapitalen.

§9 Generelle bestemmelser
For øvrig henvises det til enhver tid gjeldende aksjelovgivning.

§10 Fritt omsettelig
Selskapets aksjer er fritt omsettelige.

Appendix L – Annual and Interim Financial Statements for Odfjell Rig III Ltd.

Annual accounts 2021

List of Signatures

Odfjell_Rig_III_Ltd_Financial_Statements_2021.pdf

Name	Method	Signed at
Helene Odfjell	One-Time-Password	2022-03-22 17:52 GMT+01
Lieungh, Simen	BANKID_MOBILE	2022-03-21 22:46 GMT+01
Diane Stephen	One-Time-Password	2022-03-21 21:39 GMT+01
Alasdair Shiach	One-Time-Password	2022-03-21 19:39 GMT+01

Financial Statements 2021
Odfjell Rig III Ltd.

Board of directors' report 2021

ODFJELL RIG III LTD

Business activities
The Company Odfjell Rig III Ltd. is registered in Bermuda. Since migration of the company to United Kingdom 11 December 2018, the residential address of the company is Bergen House, Crawpeel Road, Altens, Aberdeen, Scotland, United Kingdom. The Company's main purpose is to be shareholder of the 100% owned operational drilling company Deep Sea Drilling Company AS and the rig owning company Odfjell Drilling Shetland Ltd. The mobile drilling unit "Deepsea Aberdeen" previously owned by the Company is currently owned by a Dubai branch of the subsidiary Odfjell Drilling Shetland Ltd.(ODSh Ltd). The semisubmersible drilling rig "Deepsea Aberdeen" is an ultra deep-water and harsh environment rig of enhanced GVA 7500 design. The rig was delivered from the yard on 6 November 2014 built by Daewoo Shipbuilding & Marine Engineering in South Korea.

Management services are delivered from Odfjell Drilling Ltd.

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.

The volatility in market capitalisation for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Company in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial markets represent a risk for the Company with respect to funding, and hence the going concern principle, should these market conditions continue over time. When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log for the subsidiaries.

Extension of the Deepsea Aberdeen facility was effective 2 July 2021. The facility was extended on the existing terms across two export credit tranches and one commercial tranche as of the effective date. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

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.

Outlook

The drilling and oil service market has developed positively in recent years due to a strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have observed an increased appetite for field development and production spending across the segment, with the exception of some regional differences.

There is currently a strong focus on alternative energy sources and the overall future mix of energy. The transition into greener energy sources is expected to impact the energy market in the coming decades, however the need for continued exploration and production of oil and gas is viewed as vital to bridge the increasing energy demand as new energy sources take time to implement.

The general situation for the global offshore industry has been challenging for some time. This has resulted in overcapacity and financial challenges for several of the players in the offshore drilling market. Industry consolidation coupled with improved market fundamentals have now resulted in a more positive outlook for the global offshore industry.

For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks stronger and more in balance. We note increased lead time (being the time from request or tender to contract start-up) from E&P companies in harsh environment. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our capabilities and focus.

The Company is benefiting of having a modern rig that is a high end harsh environment 6th generation unit. The Company has been successful in adding more backlog due to our operational track record and strong client relationships, combined with a healthy balance sheet. The Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which triggers increased activity over the next few years.

The 100% owned subsidiary Odfjell Drilling Shetland Ltd was contracted until April 2022 for BP West of Shetland. Following the early termination of this contract with BP Exploration on 21 September 2020, the drilling unit was simultaneously awarded a contract by Wintershall Dea Norge AS on the NCS. The Wintershall contract was entered concurrently with the BP early termination as a condition for the effectiveness of the termination. Deepsea Aberdeen commenced the Wintershall contract mid-February 2021 and we expect the operations to end back to back with the awarded long term Breidablikk contract commencing spring 2022.

Financial risk
Market risk
All income and the majority of cost are in USD. All loans, and the majority of operational cost are also paid in USD, and the currency risk is therefore considered low.

Credit risk
The subsidiary ODSh Ltd which Odfjell Rig III Ltd has an internal loan facility due to the rig sale. The credit risk for the Company is assessed to be limited, due to the contract situation mentioned, with well reputated and solid oil companies.

Liquidity risk
The Company'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 investments and future operations in accordance with its strategic plan. The Company monitors its liquidity risk by considering the maturity of both its financial investments and financial. With the current contract situation for Deepsea Aberdeen, the Company has secured liquidity until end of 2024 to maintain normal operations.

Environmental, social responsibility and governance (ESG)
The groups ESG strategy is divided into the focus areas: Environmental Impact; People & Safety; and Ethics & Governance. For a full presentation of the strategy, and the material and important topics within each focus area, reference is made to the Sustainability Report published on https://www.odfjelldrilling.com/Investor-relations/Presentations.

Working environment and personnel
The Company had no employees in 2021. The board of directors consist of two men and one woman.

Environmental reporting
The Company's activities do not pollute the external environment.

Profit performance, investments, financing and liquidity
The operating loss for the year was amounted to USD 56 thousand (loss USD 66 thousand in 2020).

As of 31 December 2021, the total assets were at USD 327.7 million as compared to USD 380.4 million as of 31 December 2020. The assets as of 31 December 2021 include seller's credit at USD 113.7 due to sale of rig compared to USD 203.3 as of 31 December 2020.

Equity per 31.12.2021 is amounted to USD 145.1 million (USD 143.0 million per 31.12.2020). At 31 December 2021, the Company reported USD 182.6 million (USD 237.4 million in 2020) as total liabilities.

Cash flow from operating activities was negative with USD 4,8 million and operating profit was negative with USD 0.1 million.

Net cash flow from investing activities in 2021 was positive with USD 64.3 million, due to repayment of seller's credit from subsidiary related to the sale of "Deepsea Aberdeen" in 2017.

Net cash flow from financing activities in 2021 was negative USD 52.9 million and comprised instalment of USD 52 million and fee for amendment on existing credit facilities. In 2020 instalments was USD 52.0 million.

At 31 December 2021 the cash and cash equivalents amounted to USD 20.1 million. There has been a total positive net change in cash and cash equivalents of USD 6.6 million since 31 December 2020. The Company's working capital at 31

December 2021 was negative due to classification of next year instalment. The Company will receive short term liquidity from the Odfjell Drilling Group in case of need of liquidity.

Risks and uncertainties

In the Company'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. Additionally, any unforeseen consequences of COVID-19 and other future pandemics may impact the financial result.

Losses incurred by many financial institutions related to recent 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. Although Deepsea Atlantic and Deepsea Stavanger have strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The uncertainties and volatility in today's financial markets represent a risk for the Company with respect to funding, should these market conditions continue over time. The market outlook and contract situation for the mobile offshore drilling units may also affect covenant risk, since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. There has been, in recent years, implemented cost reduction and efficiency improvement programs, and continues its focus on capital discipline in order to improve its competitiveness in this challenging market.

Events after the balance sheet date

There have not been any events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 2021.

Directors & Officers Liability Insurance

There is a policy on group level that includes the liability of the Company's Directors and Officers. The limit of liability is NOK 75 million per claim and in aggregate per year.

Profit for the year and allocations

The board proposes the following allocation of profit for the year in Odfjell Rig III Ltd:

Transferred to other equity	USD	2 096 697
Total transferred	USD	2 096 697

Aberdeen, United Kingdom, 21 March 2022

Simen Lieungh
Director

Helene Odfjell
Director

Alasdair Shiach
Director

Diane Stephen
General Manager

Odfjell Rig III Ltd.

INCOME STATEMENT

Amount in USD 1000	Note	2021	2020
REVENUE			
Other income		-	-
Total operating income		**-**	**-**
OPERATING EXPENSES		-	-
Other operating expenses	2,8	56	66
Total operating expences		**56**	**66**
OPERATING PROFIT/ (LOSS)		**(56)**	**(66)**
FINANCIAL INCOME AND EXPENSES			
Financial income	8,10	11 737	10 630
Financial cost	8,10	(9 583)	(16 645)
Net financial items		**2 153**	**(6 014)**
PROFIT/ (LOSS) BEFORE INCOME TAX		**2 097**	**(6 080)**
Taxes	4	-	-
NET PROFIT/ (LOSS)		**2 097**	**(6 080)**
Attributable to:			
Other contributed capital	9	-	(6 080)
Other equity	9	2 097	-
Total		**2 097**	**(6 080)**

Odfjell Rig III Ltd.

ASSETS

Amount in USD 1000	Note	31.12.2021	31.12.2020
NON CURRENT ASSETS			
Financial Assets			
Investments in subsidiaries	5	160 354	160 354
Loans to related parties	7	113 682	203 293
Other financial investments	13	4 963	-
Total financial assets		***278 999***	***363 647***
Total non current assets		***278 999***	***363 647***
CURRENT ASSETS			
Receivables			
Other current receivables		10	47
Other current receivables group companies	7	28 563	3 214
Total receivables		***28 573***	***3 262***
Cash and bank deposits	3	20 080	13 467
Total current assets		***48 653***	***16 728***
TOTAL ASSETS		***327 652***	***380 375***

Odfjell Rig III Ltd.

EQUITY AND LIABILITIES

Amount in USD 1000	Note	31.12.2021	31.12.2020
EQUITY			
Owners equity			
Share capital	9	10	10
Other contributed capital	9	142 973	142 973
Total owners equity		***142 983***	***142 983***
Accumulated profits			
Other equity	9	2 097	-
Total accumulated profits		***2 097***	***-***
Total equity		***145 079***	***142 983***
LIABILITIES			
Other non-current liabilities			
Liabilities to financial institutions	11	129 413	118 002
Other non current liabilities	13	-	828
Total other non current liabilities		***129 413***	***118 830***
Current liabilities			
Liabilities to financial institutions	11	52 000	117 000
Trade payables		1	36
Other current liabilities	6	1 158	1 527
Total current liabilities		***53 159***	***118 563***
Total liabilities		***182 572***	***237 393***
TOTAL EQUITY AND LIABILITIES		***327 652***	***380 375***

Aberdeen,United Kingdom, 21 March 2022

Simen Lieungh
Director

Helene Odfjell
Director

Alasdair Shiach
Director

Diane Stephen
General Manager

Odfjell Rig III Ltd.

CASH FLOW STATEMENT

Amount in USD 1000	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		2 097	(6 080)
Adjustments for:			
Borrowing cost		(702)	2 549
Unrealised (gain)/loss on interest rate swaps		(5 790)	758
Changes in working capital			
Changes in other receivables/liabilities		(367)	(642)
Cash flow from operating activities		***(4 763)***	***(3 415)***
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds (payments) to group companies - non-current lending facilities		76 950	60 176
Net cash flow (outflow) current intercompany receivables		(12 688)	(9 410)
Investments in group companies		-	(3)
Net cash flow from investment activities		***64 262***	***50 763***
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of borrowings to financial institutions	11	(52 000)	(52 000)
Paid transaction cost related to amendments and new loan		(886)	-
Net cash flow from financing activities		***(52 886)***	***(52 000)***
Net change in cash and cash equivalents for the year		6 613	(4 652)
Cash and cash equivalents at 01 Jan.		13 467	18 119
Cash and cash equivalents at 31 Dec.		***20 080***	***13 467***

Cash and cash equivalents include cash and bank deposits and other short-term liquid investments.

Note 1 - Accounting principles

The accounting information includes profit and loss statement, balance sheet statement, notes and cash flow statement. The accounts are prepared in accordance with Norwegian GAAP. Figures are reported in USD. The company's registered address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Since migration of the company to United Kingdom 11 December 2018, the residential address of the company is Bergen House, Crawpeel Road, Altens, Aberdeen, Scotland, United Kingdom.
The company previously owned the drilling unit "Deepsea Aberdeen". The drilling unit was sold during 2017 and the Company is now a holding Company for the rig owner and operating company of "Deepsea Aberdeen". The Company is a wholly owned subsidiary of Odfjell Rig Owning Ltd.

Recognition of income
The Company is a single purpose company with the only interest of owning shares in the subsidiaries Deep Sea Drilling Company AS and Odfjell Drilling Shetland Ltd. Any dividend received or other financial income are recognized as financial income.

Revenue is recognised to the extent that it is probable that the financial benefits will accrue to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. Revenues are recognised as they are earned.

Investment in subsidiaries
Investments in subsidiaries are capitalized by the cost method. Dividends from subsidiaries are recognized as income from investments in subsidiaries.

Classification of balance sheet items
Assets identified as being permanently owned or used, are classified as non-current assets. Other assets are classified as current assets. Liabilities due more than one year after they are incurred are classified as non-current liabilities. First year Instalments on non-current loans due within one year are classified as current liabilities. Liabilities due less than one year after being incurred are classified as current liabilities.

Impairment of asset
All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

Hedge accounting
The group will from time to time use various financial instruments to reduce its exposure to foreign exchange and interest rate fluctuations.
When the financial instruments do not qualify for hedge accounting, the gain or loss is recognized in the financial statement as well as fair value of financial instruments in the balance.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Accounts receivables
Trade debtors and other receivables are accounted for at net value after deductions for expected losses.

Foreign currency
Balance sheet items in foreign currencies are translated to USD at the currency rate at the balance date. Profit and loss transactions in other currencies, are translated to USD at monthly currency rates.
Currency gain and loss are presented under other financial income and other financial expenses respectively in the profit and loss statement.

Cash and bank deposits
Cash and cash equivalents includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition. Cash and cash equivalents, as defined for reporting purposes in the statement of cash flows, consist of cash and cash equivalents
as defined above, net of outstanding bank overdrafts connected to cash management activities.

Cash flow statement
The cash flow statement is prepared using the indirect method.

Estimates
The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities.

(All amounts are in USD thousands unless otherwise stated)

Note 2 - Payroll expenses, remuneration, other expenses etc.

The general manager is hired as part of the management services provided by Odfjell Drilling Ltd. The cost is included in management fee. There are no other employees. No remuneration was paid to the Board of Directors during the year.

The fee paid to auditor in 2021 is NOK 43.500,- equals USD 5.058,- excl VAT.

Amount in USD 1000	2021	2020
Statutory Audit	5	5
Total auditors fee	**5**	**5**
Fees for financial assistance	15	26
Management fees	36	34
Other fees/expenses	**51**	**60**
Total other expenses	**56**	**66**

Note 3 - Cash and cash equivalents

Amount in USD 1000	2021	2020
Current account NOK	15	27
Current account USD	5 967	8 308
Time deposits USD	9 038	38
Retention account USD	5 059	5 093
Total	**20 080**	**13 467**

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

Note 4 - Tax

Odfjell Rig III 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 Bermudan 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 2.095 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.

(All amounts are in USD thousands unless otherwise stated)

Note 4 - Tax (continued)

Income tax reconciliation	2021	2020
Amount in USD 1000		
Profit / (loss) before tax	2 097	(6 080)
Tax calculated at domestic tax rate - 19%	(398)	1 155
Effect of adjustments recognised related to prior periods, incl. tax losses carried forward	-	-
Effect of non-taxable income and expenses	398	(1 268)
Effect of group relief	-	113
Total income tax expense	**-**	**-**

The company did not pay any taxes to the United Kingdom for the fiscal year 2020, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2021.

Note 5 - Investments in subsidiaries

Amount in USD 1000

Company	Acquisition date	Reg. Office	Voting and owning interest	Profit/(loss) 2021	Equity at 31 Dec. 2021	Book value at 31 Dec. 2021
Odfjell Drilling Shetland Ltd.	2011	Aberdeen, United Kingdom	100 %	61 810	451 618	160 351
Deep Sea Drilling Company AS	2020	Bergen, Norway	100 %	3 004	4 066	3
Total						**160 354**

Note 6 - Other current liabilities

Amount in USD 1000		
Other current liabilities:	31.12.2021	31.12.2020
Accrued interest expenses current loans/bank	1 069	1 393
Accrued interest interest rate swap instruments	89	135
Total other current liabilities	**1 158**	**1 527**

(All amounts are in USD thousands unless otherwise stated)

Note 7 - Receivables and liabilities, related parties

Amount in USD 1000	Receivables	Liabilities	Receivables	Liabilities
Current	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Odfjell Drilling Shetland Ltd	9 926	-	-	-
Odfjell Rig Owning Ltd	18 637	-	3 214	-
Total	**28 563**	**-**	**3 214**	**-**

Current receivables and liabilities are due within one year.

Amount in USD 1000	Receivables	Liabilities	Receivables	Liabilities
Non-Current	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Odfjell Drilling Shetland Ltd	113 682	-	203 293	-
Total	**113 682**	**-**	**203 293**	**-**

On 27 March 2017, the Company entered into a sellers' credit agreement with its subsidiary Odfjell Drilling Shetland Ltd to which the Company granted a short- term sellers' credit for the purpose of financing the Borrower's acquisition of the drilling unit "Deepsea Aberdeen". 20 December 2018, the parties have converted USD 145,000,000 of the outstanding amount to equity and the agremeement is amended. The remaining outstanding amount under the Sellers' Credit Agreement is a long term loan, the Maturity Date is extended to 20 July 2023, and the Sellers Credit carries interest. The Sellers' Credit shall be repaid monthly with instalments in the amount of USD 6,000,000. In 2020 not all the instalments were paid as scheduled due to Special Periodic Survey activities. There has been a catch up in 2021.

Interest rate is equal to the LIBOR + 3.5% p.a. and the interest rate was 3.68 % in 2021.

Note 8- Related parties transactions

Amount in USD 1000				
Income from related parties	Relation	Type	2021	2020
Odfjell Drilling Shetland Ltd.	Subsidiary	Interest (see note 7)	5 939	10 542
Total income from related parties			**5 939**	**10 542**

Amount in USD 1000				
Expense from related parties	Relation	Type	2021	2020
Odfjell Drilling Ltd	Ultimate parent	Guarantee Commision	535	648
Odfjell Rig Owning Ltd	Parent	Guarantee Commision	313	422
Odfjell Offshore Ltd	Group company	Guarantee Commision	57	59
Odfjell Drilling Shetland Ltd.	Subsidiary	Guarantee Commision	174	211
Odfjell Drilling Ltd	Ultimate parent	Management services	25	24
Odfjell Global Business Services AS	Group company	Support services	12	10
Total expenses from related parties			**1 115**	**1 374**

(All amounts are in USD thousands unless otherwise stated)

Note 9 - Share capital and shareholder information/Equity

Odfjell Rig III Ltd is a wholly owned subsidiary of Odfjell Rig Owning Ltd, which is an subsidiary of the parent company Odfjell Drilling Ltd.

The ultimate parent in the Odfjell Drilling Group is Odfjell Drilling Ltd. The consolidated financial statements are available at the company website www.odfjelldrilling.com.

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

Shareholder as per 31.12.2021	Reg. office	Company's principal place of business	Shares	Participating interests/ Share of votes
Odfjell Rig Owning Ltd.	Hamilton, Bermuda	Aberdeen, Scotland, United Kingdom	10 000	100 %
Total number of shares			**10 000**	**100 %**

Boards of Directors have no shares or options in the company.

Amount in USD 1000	Share capital	Contributed surplus	Other equity	Total
Shareholders' equity as per 01.01.21	10	142 973	-	**142 983**
Profit for the year	-	-	2 097	**2 097**
Shareholders' equity as per 31.12.21	**10**	**142 973**	**2 097**	**145 079**

Note 10 - Financial income and expenses

Amount in USD 1000		
Financial income	2021	2020
Interest income from group companies	5 939	10 542
Other interest income	7	88
Change in market value hedging instruments	5 790	-
Total	**11 737**	**10 630**

Financial expenses	2021	2020
Interest expenses borrowings	(8 187)	(11 474)
Interest expense financial instruments related to borrowings	(786)	(430)
Net currency loss	(2)	(1)
Amortization of loan expenses	702	(2 549)
Gurantee comission	(1 079)	(1 340)
Change in market value hedging instruments	-	(758)
Other financial expenses	(232)	(93)
Total	**(9 583)**	**(16 645)**

(All amounts are in USD thousands unless otherwise stated)

Note 11 - Financial liabilities

Amount in USD 1000	2021	2020
Non current bank loan	133 000	120 000
Capitalized loan cost amortized over loan period	3 587	(1 998)
Total	**136 587**	**118 002**
Current portion of bank loan	52 000	117 000
Total	**52 000**	**117 000**

Year	Instalments	Instalments
2021	-	117 000
2022	52 000	120 000
2023	52 000	-
2024	81 000	
Total	**185 000**	**237 000**

Book value of assets pledged as security	2021	2020
Shares in Deep Sea Drilling Company AS	-	-
Shares in Odfjell Drilling Shetland Ltd	160 351	160 351
Receivables Odfjell Drilling Shetland Ltd	113 682	203 293
Bank deposits	5 982	8 373
Total book value of assets pledged as security	**280 015**	**372 017**

The table above summarises the maturity profile of the company's long term external bank loan at 31 December 2021. The average interest rate on the loan facility in 2021 was 4.1%.

USD 530 million loan facility (USD 185 million outstanding)

On 7 May 2013, Odfjell Rig III Ltd. (as borrower) entered into a credit facility agreement with DNB Bank ASA as Agent on behalf of the lenders for the purpose of financing the acquisition of the harsh environment semi-submersible drilling rig "Deepsea Aberdeen", constructed by Daewoo Shipbuilding & Marine Engineering Co., Ltd. The loan was utilised at delivery of Deepsea Aberdeen in Q4 2014. As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., and 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, Deep Sea Drilling Company AS and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents. The guarantee from Odfjell Offshore Ltd is due to be released when the shares in Odfjell Technology Ltd is admitted to listing on Oslo Stock Exchange, expected end March 2022.
The rate of interest on the Commercial Facility and the KEXIM Facility is the percentage rate per annum which is the aggregate of LIBOR plus a margin of 3.40 per cent per annum. The rate of interest on the Eksportkreditt GIEK Facility is fixed at 4.08% per annum including guarantee commission to GIEK.

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. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.
The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers 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 semi-submersible drilling rig "Deepsea Aberdeen". Further, the Facility Agreement also contains default and cross default provisions, all applicable to Odfjell Rig III Ltd., including the Odfjell Drilling Group and the Odfjell Rig Owning Ltd., Group.

Refinancing
30 June 2021, the company entered into agreements for a refinancing related to its 2021 debt maturity. This refinancing was accounted for as modifications of the original financial liabilities and the carrying amounts were recalculated, resulting in a modification gain being recognised as finance cost in 2021. The Deepsea Aberdeen facility, with USD 211 million outstanding as at 30 June 2021 across two export credit tranches and one commercial tranche, was extended on the existing terms. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

Note 11 - Financial liabilities (continued)

Group Covenants

The Odfjell Drilling Group has agreed to maintain, at all times, 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). The Odfjell Drilling Group has agreed to maintain 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%. Further, the group has agreed at all times to maintain a leverage ratio (net interest bearing debt to EBITDA) not exceeding 5.00:1:00. EBITDA and Interest Bearing Debt related to a new-builds (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 additions 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. The ratio of current assets to current liabilities shall at all times be a minimum 1.00:1.00.

The company has entered interest rate swaps (maturing 2025) which at year end had a positive market value of USD 4,962,663,- at year-end 2021. The interest rate swaps does not qualify for hedging accounting.

Note 12 - Guarantees and security

Odfjell Rig III Ltd. entered into a USD 530 million loan facility (USD 185 million outstanding) on 7 May 2013 with 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., and 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, Deep Sea Drilling Company AS and Odfjell Offshore Ltd., have as per 31.12.2021 guaranteed the obligors' obligations under the finance documents. The guarantee from Odfjell Offshore Ltd is due to be released upon certain conditions being fulfilled.

Note 13 - Financial risk

The Company maintains a balanced exposure towards fluctuations in the floating interest rate on its bank debt and has therefore entered into interest rate swaps to obtain fixed interest on parts of its debt.

The Company has all it's future revenues and expenses in USD, and currency risk is assessed to be limited. Odfjell Rig III Ltd. has not entered into any foreign exchange hedging instruments as per 31.12.2021.

The Company has a loan to its subsidiary Odfjell Drilling Shetland Ltd following the sale of Deepsea Aberdeen to Odfjell Drilling Shetland Limited in 2017. The credit risk for the Company is assessed to be limited, since Odfjell Drilling Shetland Limited is secured bareboat income from Deep Sea Drilling Company AS and the contract with BP until expiration of this contract. Deep Sea Drilling Company has secured contracts with Wintershall Dea and Equinor almost throughout 2024. Wintershall Dea and Equinor are both well reputated and solid oil companies.

KPMG

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To the General Meeting of Odfjell Rig III Ltd

Independent Auditor's Report

Opinion

We have audited the financial statements of Odfjell Rig III Ltd (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement 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, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 as required by laws and regulations 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. 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.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. 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 legal requirements.

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 the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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 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 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.

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.

Bergen, 25 April 2022
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

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Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-25 18:50:09 UTC

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Annual accounts 2022

Odfjell Rig III Ltd.

Annual Report
2022

Board of directors' report 2022

ODFJELL RIG III LTD

Business activities

The Company Odfjell Rig III Ltd. is registered in Bermuda. Since migration of the company to United Kingdom 11 December 2018, the residential address of the company is Bergen House, Crawpeel Road, Altens, Aberdeen, Scotland, United Kingdom. The Company's main purpose is to be shareholder of the 100% owned operational drilling company Deep Sea Drilling Company AS and the rig owning company Odfjell Drilling Shetland Ltd. The mobile drilling unit "Deepsea Aberdeen" previously owned by the Company is currently owned by a Dubai branch of the subsidiary Odfjell Drilling Shetland Ltd.(ODSh Ltd). The semisubmersible drilling rig "Deepsea Aberdeen" is an ultra deep-water and harsh environment rig of enhanced GVA 7500 design. The rig was delivered from the yard on 6 November 2014 built by Daewoo Shipbuilding & Marine Engineering in South Korea.

Management services are delivered from Odfjell Drilling Ltd.

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.

The volatility in market capitalisation for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may not be available to the Company in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial markets represent a risk for the Company with respect to funding, and hence the going concern principle, should these market conditions continue over time. When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log for the subsidiaries.

The company has a bullet loan from parent company Odfjell Rig Owning Ltd, which runs until 31 December 2025.

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.

Outlook

The drilling and oil service market has developed positively in recent years due to a strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have observed an increased appetite for field development and production spending across the segment, with the exception of some regional differences.

There is currently a strong focus on alternative energy sources and the overall future mix of energy. The transition into greener energy sources is expected to impact the energy market in the coming decades, however the need for continued exploration and production of oil and gas is viewed as vital to bridge the increasing energy demand as new energy sources take time to implement.

The general situation for the global offshore industry has been challenging for some time. This has resulted in overcapacity and financial challenges for several of the players in the offshore drilling market. Industry consolidation coupled with improved market fundamentals have now resulted in a more positive outlook for the global offshore industry.

For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks stronger and more in balance. We note increased lead time (being the time from request or tender to contract start-up) from E&P companies in harsh environment. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our capabilities and focus.

The Company is benefiting of having a modern rig that is a high end harsh environment 6th generation unit. The Company has been successful in adding more backlog due to our operational track record and strong client relationships, combined with a healthy balance sheet. The Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which triggers increased activity over the next few years.

The 100% owned subsidiary Odfjell Drilling Shetland Ltd is contracted until Q4 2024 for Equinor on the NCS.

Board of directors' report 2022

ODFJELL RIG III LTD

During the period, the Deepsea Aberdeen rig 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 field.

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

Financial risk

Market risk

All income and the majority of cost are in USD. All loans, and the majority of operational cost are also paid in USD, and the currency risk is therefore considered low.

Credit risk

The subsidiary ODSh Ltd which Odfjell Rig III Ltd has an internal loan facility due to the rig sale. The credit risk for the Company is assessed to be limited, due to the contract situation mentioned, with well reputated and solid oil companies.

Liquidity risk

The Company'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 investments and future operations in accordance with its strategic plan. The Company monitors its liquidity risk by considering the maturity of both its financial investments and financial. With the current contract situation for Deepsea Aberdeen, the Company has secured liquidity until end of 2025 to maintain normal operations.

Environmental, social responsibility and governance (ESG)

The groups ESG strategy is divided into the focus areas: Environmental Impact; People & Safety; and Ethics & Governance. For a full presentation of the strategy, and the material and important topics within each focus area, reference is made to the Sustainability Report published on https://www.odfjelldrilling.com/sustainability/esg-resources/.

Working environment and personnel

The Company had no employees in 2022. The board of directors consist of two men and one woman.

Environmental reporting

The Company's activities do not pollute the external environment.

Profit performance, investments, financing and liquidity

The operating loss for the year was amounted to USD 60 thousand (loss USD 56 thousand in 2021).

As of 31 December 2022, the total assets were at USD 266.4 million, compared to as of 31 December 2021, the total assets were at USD 327.7 million as compared to USD 380.4 million as of 31 December 2020. The assets as of 31 December 2022 include seller's credit at USD 50.0 due to sale of rig. As of 31 December 2021 the seller's credit was at USD 113.7 compared to USD 203.3 as of 31 December 2020.

Equity per 31.12.2022 is amounted to USD 133.8 million (31.12.2021 is amounted to USD 145.1 million and USD 143.0 million per 31.12.2020). At 31 December 2022, the Company reported USD 132.7 million (31 December 2021, the Company reported USD 182.6 million and USD 237.4 million in 2020) as total liabilities.

Cash flow from operating activities was positive with USD 7.4 million and operating profit was negative with USD 60 thousand.

Net cash flow from investing activities in 2022 was positive with USD 71.4 million, due to repayment of seller's credit from subsidiary related to the sale of "Deepsea Aberdeen" in 2017.

Net cash flow from financing activities in 2022 was negative USD 51.8 million and comprised instalment of USD 52 million and fee for amendment on existing credit facilities. In 2021 instalments was USD 52.0 million.

At 31 December 2022 the cash and cash equivalents amounted to USD 46.9 million. There has been a total positive net change in cash and cash equivalents of USD 26.9 million since 31 December 2021. The Company's working capital at 31

Board of directors' report 2022

ODFJELL RIG III LTD

December 2022 was postive due to classification of next year instalment. The Company will receive short term liquidity from the Odfjell Drilling Group in case of need of liquidity.

Risks and uncertainties

In the Company'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. Additionally, any unforeseen consequences of future pandemics may impact the financial result.

Losses incurred by many financial institutions related to recent 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. Although Deepsea Aberdeen have strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The uncertainties and volatility in today's financial markets represent a risk for the Company with respect to funding, should these market conditions continue over time. The market outlook and contract situation for the mobile offshore drilling units may also affect covenant risk, since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. There has been, in recent years, implemented cost reduction and efficiency improvement programs, and continues its focus on capital discipline in order to improve its competitiveness in this challenging market.

Events after the balance sheet date

There have not been any events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 2022.

Directors & Officers Liability Insurance

There is a policy on group level that includes the liability of the Company's Directors and Officers. The limit of liability is NOK 75 million per claim and in aggregate per year.

London, United Kingdom, 19 April 2023
The Board of Directors of Odfjell Rig III Ltd.

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

Odfjell Rig III Ltd.

Separate
Financial Statements
for the year ended 31 December 2022

Separate Income Statement for the year ended 31 December

USD thousands	Note	2022	2021
Other operating expenses	4, 11	(60)	(56)
Total operating expenses		**(60)**	**(56)**
Operating profit / (loss) - EBIT		**(60)**	**(56)**
Interest income	10, 11	4 804	5 946
Interest expenses	10, 11	(9 892)	(8 270)
Other financial items	10, 11	5 804	4 477
Net financial items		**715**	**2 153**
Profit / (loss) before tax		**655**	**2 097**
Income taxes	6	-	-
Profit / (loss)		**655**	**2 097**
Profit/(loss) attributable to:			
Owners of Odfjell Rig III Ltd.	17	655	2 097

The accompanying notes are an integral part of these financial statements

Separate Statement of Comprehensive Income for the year ended 31 December

USD thousands	Note	2022	2021
Profit / (loss) for the period		**655**	**2 097**
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**655**	**2 097**
Total comprehensive income for the period is attributable to:			
Owners of Odfjell Rig III Ltd.		655	2 097

Separate Statement of Financial Position

USD thousands	Note	31.12.2022	31.12.2021	01.01.2021
Assets				
Financial Assets				
Investments in subsidiaries	7	160 354	160 354	160 354
Non-current receivables group companies	9, 13	50 015	113 682	203 293
Other financial investments	11, 13	-	4 963	-
Total non-current assets		**210 369**	**278 999**	**363 647**
Accounts receivables		-	-	-
Other current receivables		217	10	47
Other current receivables group companies	9, 13	8 873	28 563	3 214
Cash and bank deposits	5	46 916	20 080	13 467
Total current assets		**56 007**	**48 653**	**16 728**
Total assets		**266 376**	**327 652**	**380 375**
Equity and liabilities				
Share capital	17	10	10	10
Other contributed capital	17	130 973	142 973	142 973
Retained earnings	17	2 752	2 097	-
Total equity		**133 734**	**145 079**	**142 983**
Non-current interest-bearing borrowings	12, 13, 16	79 308	129 413	-
Other non current liabilities	11, 13	-	-	828
Total non-current liabilities		**79 308**	**129 413**	**828**
Current interest-bearing borrowings	12, 13, 16	53 333	53 158	236 529
Trade payables		-	1	36
Total current liabilities		**53 333**	**53 159**	**236 565**
Total liabilities		**132 641**	**182 572**	**237 393**
Total equity and liabilities		**266 376**	**327 652**	**380 375**

London, United Kingdom, 19 April 2023

Kjetil Gjersdal
Director

Diane Stephen
General Manager / Director

Helene Odfjell
Director

Separate Statement of Changes in Equity

Attributable to owners of the parent

USD thousands	Note	Share capital	Other contributed capital	Retained earnings	Total equity
Balance at 31 December 2020 - NGAAP		10	142 973	-	142 983
Effect of transition to IFRS		-	-	-	-
Balance at 1 January 2021		10	142 973	-	142 983
Profit/(loss) for the period		-	-	2 097	2 097
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	2 097	2 097
Transactions with owners		-	-	-	-
Balance at 31 December 2021		**10**	**142 973**	**2 097**	**145 079**
					-
Profit/(loss) for the period		-	-	655	655
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	655	655
					-
Dividends		-	(12 000)	-	-
Transactions with owners		-	(12 000)	-	-
					-
Balance at 31 December 2022		**10**	**130 973**	**2 752**	**133 734**

Separate Statement of Cash Flow for the year ended 31 December

USD thousands	Note	2022	2021
Cashflow from operating activities			
Profit/loss before tax		655	2 097
Adjustments for:			
Interest expenses - net		3 193	2 241
Amortised transaction costs borrowings		1 895	(702)
Change in fair value derivatives		4 963	(5 790)
Foreign exchange losses/(gains) not related to operating activities		(345)	(1)
Changes in working capital			
Trade payables		(1)	(35)
Other accruals		(273)	(703)
Cash generated from operations		10 088	(2 894)
Net interest received / (paid)		(2 953)	(1 871)
Net cash flow used in operating activities		**7 134**	**(4 765)**
Cash flows from investing activities			
Net proceeds (payments) to group companies - non-current lending facilities		56 350	76 950
Net cash flow (outflow) current intercompany receivables		15 007	(12 688)
Net cash flow used in investing activities		**71 357**	**64 262**
Cash flows from financing activities			
Repayments of debt to financial institutions		(52 000)	(52 000)
Paid transaction cost related to amendments and new loan		-	(886)
Paid dividend		-	-
Net cash from financing activities		**(52 000)**	**(52 886)**
Net change in cash and cash equivalents		**26 491**	**6 612**
Cash and cash equivalents at beginning of period		20 079	13 467
Exchange gains/(losses) on cash and cash equivalents		345	1
Cash and cash equivalents at period end	5	**46 916**	**20 079**

Cash and cash equivalents include cash and bank deposits and other short-term liquid investments.

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Notes to the Financial Statements

All amounts are in USD thousands unless otherwise stated.

Note 1 - General information, presentation and accounting principles

General information
Odfjell Rig III Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Rig III 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 ultimate parent company Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

Presentation of separate financial statements of the parent company
These financial statements are presented as separate financial statements wherein investments of the Company in its subsidiaries are carried at cost without consolidating the financial results of the subsidiaries.
The separate financial statements are presented in USD thousands.
A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Summary of significant accouting policies
Basis of preparation
The separate financial statements of the Company for the year ended 31 December 2022 comply with IFRS as endorsed by EU, please refer to note 2 - Change in accounting principles - Transition to IFRS.

The separate 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.

The accounting policies outlined in relevant notes and below have been applied consistently for all periods presented in these separate financial statements.

Going concern
The Company has adopted the going concern basis in preparing its separate financial statements. The assessment regarding the going concern assumption is disclosed in note 3 - Critical accounting estimates and judgements.

Basis of measurement
The separate financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the separate financial statements are disclosed in note 3 - Critical accounting estimates and judgements.

New and amended standards and interpretations effective after 1 January 2022 that have been adopted by the Company
- Onerous Contracts - Costs of Fulfilling an 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.

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 2021 reporting periods and have not been early adopted by the Company. 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.

Investments in subsidiaries
Investments in subsidiaries are based on the cost method. Refer to Note 7 - Investments in subsidiaries

Dividends
Dividends and group contribution from a subsidiaries are recognised in profit or loss in the separate financial statements when the Company's right to receive the dividend is established.

Foreign currency translation
Foreign currency transactions are translated into the functional currency (USD) 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’.

Current versus non-current classification
The Company 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
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period, or
• 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
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period, or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Borrowings
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.

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

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.

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.

Note 2 - Change in accounting principles - Transition to IFRS

Transition to IFRS

This is the company's first parent accounts presented in accordance with IFRS. The accounting principles described in Note 1 - Accounting principles have been applied in the preparation of the financial statements for 2022, comparable figures for 2021 and for the preparation of the IFRS opening balance sheet 1 January 2022 which is the company's transition date for conversion from Norwegian General Accepted Accounting Practices (NGAAP) to IFRS.

The transition from NGAAP to IFRS has not led to any changes in Statement of Financial Position as at 1 January 2021 or 31 December 2021, nor to any changes in Income Statement or Statement of Cash Flow, except for renaming of line items.

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 Company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted 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.

- Calculation of recoverable amount of an investment in a subsidiary (Note 7 - Investments in subsidiaries)

Going concern

The company is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the parent group.
Factors that, in the Company's view, could cause actual results to differ materially from the outlook contained in this report are the following: a considerable worsening of the balance between demand and supply, substantial reduction in oil and gas prices, global political changes regarding energy composition, changes in clients' spending budgets and developments in the financial and fiscal markets. Furthermore, as Odfjell Drilling's fully owned fleet consists of four units, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger
fleet.

Losses incurred by many financial institutions related to recent 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. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The Odfjell Drilling Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024.
The uncertainties and volatility in today's financial market represent a risk for the Odfjell Drilling Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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.
Hence, the Company has adopted the going concern basis in preparing its parent financial statements.

Note 4 - Operating expenses, remuneration of the board of directors etc.

The general manager is hired as part of the management services provided by Odfjell Drilling Ltd. The cost is included in management fee. There are no other employees. No remuneration was paid to the Board of Directors during the year.

The fee paid to auditor in 2022 is NOK 40.000,- equals USD 4.146,- excl VAT.

Amount in USD 1000	Note	2022	2021
Statutory Audit		4	5
Total auditors fee		**4**	**5**
Fees for financial assistance		28	15
Management and support services	11	28	36
Other operating expenses		**56**	**51**
Total other operating expenses		**60**	**56**

Note 5 - 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.

Amount in USD 1000	2022	2021	2020
Current account NOK	695	15	27
Current account USD	307	5 967	8 308
Time deposits NOK	40 704	-	-
Time deposits USD	38	9 038	38
Retention account USD	5 172	5 059	5 093
Total cash and cash equivalents	**46 916**	**20 080**	**13 467**

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

Note 6 - Income tax

Odfjell Rig III 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 Bermudan 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 2.095 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.

Income tax reconciliation	**2022**	**2021**
Amount in USD 1000		
Profit / (loss) before tax	655	2 097
Tax calculated at domestic tax rate - 19%	(124)	(398)
Effect of non-taxable income and expenses	-	(1 268)
Effect of group relief	124	1 666
Total income tax expense	**-**	**-**

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.

Note 7 - Investments in subsidiaries

Accounting principle

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.

Below is a listing of directly owned subsidiaries.

Amount in USD 1000

Company	Acquisition date	Reg. Office	Voting and owning interest	Profit/(loss) 2022	Equity at 31 Dec. 2022	Book value at 31 Dec. 2022
Odfjell Drilling Shetland Ltd.	2011	Aberdeen, United Kingdom	100 %	39 947	491 565	160 351
Deep Sea Drilling Company AS	2020	Bergen, Norway	100 %	3 526	7 078	3
Total				**43 473**	**498 644**	**160 354**

Dividends from subsidiaries

The company has not received any dividends in 2022.

Impairment - Critical accounting estimates and judgements

There has not been identified any impairment indicators for the investments in subsidiaries as per 31. December 2022. Book value of investments in Odfjell Drilling Shetland Ltd and Deep Sea Drilling Company AS is lower than book value of equity in both companies. Recoverable amount of the investments are excpected to be higher than book value, and this is based on current back-log and long-term forecasts. No material off balance sheet liabilities have been identified in the subsidiaries.

Note 8 - Receivables and liabilities, related parties

Amount in USD 1000	Relation	Note	Receivables	Receivables	Receivables
Current			**31.12.2022**	**31.12.2021**	**31.12.2020**
Odfjell Drilling Shetland Ltd	Subsidiary	13	6 871	9 926	-
Odfjell Rig Owning Ltd	Parent	13	2 002	18 637	3 214
Total			**8 873**	**28 563**	**3 214**

Current receivables and liabilities are due within one year.

Amount in USD 1000	Relation	Note	Receivables	Receivables	Receivables
Non-Current			**31.12.2022**	**31.12.2021**	**31.12.2020**
Odfjell Drilling Shetland Ltd	Subsidiary	13	50 015	113 682	203 293
Total			**50 015**	**113 682**	**203 293**

On 27 March 2017, the Company entered into a sellers' credit agreement with its subsidiary Odfjell Drilling Shetland Ltd to which the Company granted a short- term sellers' credit for the purpose of financing the Borrower's acquisition of the drilling unit "Deepsea Aberdeen". 20 December 2018, the parties have converted USD 145,000,000 of the outstanding amount to equity and the agremeement is amended. The remaining outstanding amount under the Sellers' Credit Agreement is a long term loan, the Maturity Date is extended to 31 January 2024, and the Sellers Credit carries interest. The Sellers' Credit shall be repaid monthly with instalments in the amount of USD 6,000,000. In 2020 not all the instalments were paid as scheduled due to Special Periodic Survey activities. There has been a catch up in 2021.

Interest rate is equal to the LIBOR + 3.5%.

Note 9 - Related parties transactions

Amount in USD 1000				
Income from related parties	**Relation**	**Type**	**2022**	**2021**
Odfjell Drilling Shetland Ltd.	Subsidiary	Interest (see note 10)	4 003	5 939
Total income from related parties			**4 003**	**5 939**

Amount in USD 1000				
Expense from related parties	**Relation**	**Type**	**2022**	**2021**
Odfjell Drilling Ltd	Ultimate parent	Guarantee Commision	430	535
Odfjell Rig Owning Ltd	Parent	Guarantee Commision	235	313
Odfjell Offshore Ltd	Group company	Guarantee Commision	-	57
Odfjell Drilling Shetland Ltd.	Subsidiary	Guarantee Commision	153	174
Odfjell Drilling Ltd	Ultimate parent	Management services	18	25
Odfjell Technology AS*	Related group company	Support services	10	12
Total expenses from related parties			**846**	**1 115**

As part of the split of the OD Ltd Group in march 2022, the company Odfjell Technology AS is in the related group Odfjell Technology Ltd (OT Ltd Group).

Note 10 - Financial income and expenses

Interest income

USD thousands	Note	2022	2021
Interest income from group companies	9	4 003	5 939
Interest income bank deposits		801	7
Total interest income		**4 804**	**5 946**

Interest expenses (Borrowing cost)

USD thousands	Note	2022	2021
Interest expenses borrowings		(7 998)	(8 972)
Amortised transaction costs borrowings		(1 895)	702
Total interest expenses		**(9 892)**	**(8 270)**

Other financial items:

USD thousands	Note	2022	2021
Guarantee provision group companies	9	(819)	(1 022)
Net currency gain / (loss)		(399)	(2)
Realised gain terminated interst rate swaps	12	12 117	-
Change in fair value interest rate swaps	12	(4 963)	5 790
Other financial expenses		(132)	(289)
Total other financial items		**5 804**	**4 477**

Note 11 - 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 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 12 - Financial assets and liabilities.

USD thousands	Non-current 31.12.2022	Current 31.12.2022	Total 31.12.2022	Non-current 31.12.2021	Current 31.12.2021	Total 31.12.2021
Borrowings	81 000	52 000	133 000	133 000	52 000	185 000
Transaction cost, unamortised	(1 692)	-	(1 692)	(3 587)	-	(3 587)
Accrued interest expenses	-	1 333	1 333	-	1 158	1 158
Carrying amounts interest-bearing borrowings	**79 308**	**53 333**	**132 641**	**129 413**	**53 158**	**182 571**

USD thousands	Non-current 01.01.2021	Current 01.01.2021	Total 01.01.2021
Borrowings	-	237 000	237 000
Transaction cost, unamortised	-	(1 998)	(1 998)
Accrued interest expenses	-	1 527	1 527
Carrying amounts interest-bearing borrowings	**-**	**236 529**	**236 529**

Movements in interest-bearing borrowings are analysed as follows:

USD thousands	Non-current 2022	Current 2022	Total 2022	Non-current 2021	Current 2021	Total 2021
New borrowings	-		-	-		-
Paid transaction costs related to amendments and new borrowin	-		-	(886)		(886)
Repayment bank loan	(52 000)	-	(52 000)	(52 000)	-	(52 000)
Disposal through distribution of operations to shareholders	-		-	-		-
Seller's Credit	-		-	-		-
Reclassified from / (to) current borrowings	-		-	65 000	(65 000)	-
Change in transaction cost, unamortised	1 895	-	1 895	(2 701)	-	(2 701)
Change in accrued interest cost	-	175	175	-	1 293	1 293
Currency translation differences	-	-	-	-		-
Carrying amount as at 31 December	**79 308**	**53 333**	**132 641**	**129 413**	**53 158**	**182 571**

Financial covenants - 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. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and and covenants relating to the valuation, operation and maintenance of the semisubmersible provisions, all applicable to Odfjell Rig III Ltd.

The Company is compliant with all financial covenants as at 31 December 2022.

Note 12 - 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), or financial assets at fair value through other comprehensive income (FVOCI) .
Management determines the classification of financial assets at their initial recognition.

Financial assets like loans and receivables held to receive payment of principal and interest are valued at amortised costs. The Company 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.

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 at : fair value through profit or loss, loans and borrowings, payables, 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 Company's financial liabilities include trade and other payable and borrowings. The loans and borrowings category is the most relevant to the Company. 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.

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.

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.

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 nonfinancial 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.

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

USD thousands	Note	Level	2022	2021	2020
Financial assets at fair value through profit or loss					
Derivatives not designated as hedging instruments					
- Investments in interest rate swaps, non-current	10	2	-	4 963	-
Financial assets at amortised cost					
- Non-current interest-bearing receivables group companies	8, 15		50 015	113 682	203 293
- Current receivables group companies	9		8 873	28 563	3 214
- Other current receivables			217	10	47
- Cash and cash equivalents	5		46 916	20 080	13 467
Total assets as at 31.12			**106 022**	**167 298**	**220 021**

USD thousands	Note	Level	2022	2021	2020
Financial liabilities at fair value through profit or loss					
Derivatives designated as hedging instruments					
- Interest rate swap instruments, non-current		2	-	-	828
Financial liabilities at amortised cost					
- Interest-bearing borrowings (non-current and current)	14		131 308	181 413	235 002
- Accrued interest expenses, loan from financial institutions	14		1 333	1 069	1 393
- Trade payables			-	1	36
Total liabilities as at 31.12.			**132 641**	**182 572**	**237 393**

Note 13 - Guarantees

Odfjell Rig III Ltd has guaranteed on behalf of subsidiary Deep Sea Drilling Company AS, for client Equinor Energy AS on drilling

Note 14 - Financial risk

Financial risk factors

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

Risk management is carried out on Odfjell Drilling Ltd. Group level (Ultimate parent company). The Odfjell Drilling Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd., Group has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments. The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Odfjell Drilling Group’s financial performance.

Liquidity risk

The liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries. The parent company can also contribute capital and cash position if necessary. The company thereby have sufficient liquidity.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual undiscounted 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 as at 31 December 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
Interest-bearing borrowings	30 481	29 765	84 051	-	-	144 296	132 641

Maturity as at 31 December 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
Interest-bearing borrowings	29 526	29 130	56 695	82 729	39	198 119	182 571
Trade payables	1		-	-	-	1	1

Foreign exchange risk

Exchange-rate risk is low since the companies operating income and expenses are mostly in USD, however the company have some exposure related to cash in bank.
The Company has all it's future revenues and expenses in USD, and currency risk is assessed to be limited. Odfjell Rig III Ltd. has not entered into any foreign exchange hedging instruments as per 31.12.2022.

The Company’s exposure to foreign currency risk at the end of 31 December 2022, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	41 399

The Company’s exposure to foreign currency risk at the end of 31 December 2021, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	15

Foreign exchange risk - Sensitivity

The company is primarily exposed 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 thousands	2022	2021	2022	2021	2022	2021
Cash and cash equivalents	(6 900)	(3)	(3 764)	(1)	4 600	2
Net effect on profit before tax	**(6 900)**	**(3)**	**(3 764)**	**(1)**	**4 600**	**2**

Interest rate risk

The Company maintains a balanced exposure towards fluctuations in the floating interest rate on its bank debt and has therefore entered into interest rate swaps to obtain fixed interest on parts of its debt.
Of the outstanding amount on USD 133 millions as of 31 December 2022, USD 40 millions has fixed interest, and USD 94 millions has variable interest, and can be exposed to any changes in interest.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 8 Related parties.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables 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.

The Company has a loan to its subsidiary Odfjell Drilling Shetland Ltd following the sale of Deepsea Aberdeen to Odfjell Drilling Shetland Limited in 2017. The credit risk for the Company is assessed to be limited, since Odfjell Drilling Shetland Limited is secured bareboat income from Deep Sea Drilling Company AS. Deep Sea Drilling Company has secured contracts with Equinor almost throughout 2024.

The company does not expect any credit losses in the next 12-month period.

Note 15 - Securities and mortgages

Liabilities secured by mortgage

USD thousands	Note	2022	2021	2020
Non current liabilities - contractual amounts	12, 13	(81 000)	(133 000)	(120 000)
Current liabilities	12, 13, 15	(53 333)	(53 069)	(118 393)
Total		**(134 333)**	**(186 069)**	**(238 393)**

The following assets are pledged as first priority security by Odfjell Rig III Ltd regarding the loan agreement:

USD thousands	2022	2021	2020
Shares in Odfjell Drilling Shetland Ltd	160 351	160 351	160 351
Shares in Deep Sea Drilling Company AS	3	3	3
Receivables Odfjell Drilling Shetland Ltd	50 015	113 682	203 293
Bank deposits	46 916	20 080	13 467
Total book value of assets pledged as security	**257 285**	**294 115**	**377 113**

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. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 253.2 million.

As security for the facilities, substantially 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, Deep Sea Drilling Company AS and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents. The guarantee from Odfjell Offshore Ltd is due to be released upon certain conditions being fulfilled.

Note 16 - Share capital and shareholder information

Odfjell Rig III Ltd is a wholly owned subsidiary of Odfjell Rig Owning Ltd, which is an subsidiary of the parent company Odfjell Drilling Ltd. The ultimate parent in the Odfjell Drilling Group is Odfjell Drilling Ltd. The consolidated financial statements are available at the company website www.odfjelldrilling.com.

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

Shareholder as per 31.12.2022	Reg. office	Company's principal place of business	Shares	Participating interests/ Share of votes
Odfjell Rig Owning Ltd.	Bermuda	Aberdeen, Scotland, United Kingdom	10 000	100 %
Total number of shares			10 000	100 %

Boards of Directors have no shares or options in the company.

Note 17 - Events after the balance sheet date

There have been no events identified after the reporting period which would materially affect these financial statements.

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To the General Meeting of Odfjell Rig III Ltd

Independent Auditor's Report

Opinion

We have audited the financial statements of Odfjell Rig III 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 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, and
- 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 EU.

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 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.

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.

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 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 Company 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 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 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 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.

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.

Bergen, 28 April 2023
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Ståle Christensen
Partner
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H1 2023

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.

Appendix M – Annual and Interim Financial Statements for Odfjell Drilling Ltd.

Annual accounts 2021

Financials

Consolidated Group Financial Statements

Consolidated Income Statement

for the year ended 31 December

USD thousands	Note	2021	2020
OPERATING REVENUE	5,6	863,853	929,739
Other gains and losses	8	7,993	2,531
Personnel expenses	7,20,36	(402,899)	(340,303)
Depreciation and amortisation	10,11	(181,941)	(203,962)
Other operating expenses	8	(165,406)	(171,563)
TOTAL OPERATING EXPENSES		(750,246)	(715,828)
Operating profit (EBIT)		121,600	216,441
Share of profit / (loss) from joint ventures and associates	34	(539)	-
Interest income	8	137	636
Interest expenses	8,18,19	(53,324)	(71,841)
Other financial items	8	9,817	408
Net financial expenses		(43,370)	(70,798)
Profit before income tax		77,691	145,643
Income tax expense	9	(3,838)	(2,339)
Net profit		73,852	143,304
Profit (loss) attributable to:			
Non-controlling interests		(531)	(73)
Owners of the parent		74,383	143,377
EARNINGS PER SHARE (USD)			
Basic earnings per share	38	0.278	0.571
Diluted earnings per share	38	0.278	0.571

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2021	2020
Net profit		73,852	143,304
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations (net of tax)	9,20	(341)	(2,039)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	25	3,888	(7,303)
Currency translation differences		(3,831)	4,837
Other comprehensive income, net of tax		(283)	(4,504)
Total comprehensive income		73,569	138,799
Total comprehensive income is attributable to:			
Non-controlling interests		(524)	(21)
Owners of the parent		74,093	138,820

Items in the statement above 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 thousands	Note	31.12.2021	31.12.2020
ASSETS			
Property, plant and equipment	10	2,108,856	2,203,387
Intangible assets	11	28,516	28,892
Deferred tax asset	9	1,291	1,040
Investments in joint ventures and associates	34	486	-
Derivative financial instruments	14,25	4,963	-
Other non-current assets	12	2,726	2,588
Total non-current assets		**2,146,837**	**2,235,908**
Spare parts	13	2,511	2,066
Contract assets	15	10,221	9,898
Trade receivables	16	154,547	161,889
Other current assets	12	28,005	23,834
Cash and cash equivalents	17	173,031	206,895
Total current assets		**368,314**	**404,583**
TOTAL ASSETS		2,515,151	2,640,491

USD thousands	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Paid in equity	27	564,959	564,959
Other equity	28	703,215	632,909
Total equity attributable to owners of the parent		**1,268,174**	**1,197,868**
Non-controlling interests		-	636
Total equity		**1,268,174**	**1,198,503**
Non-current interest-bearing borrowings	18,29	875,352	695,792
Non-current lease liabilities	19	38,282	36,920
Post-employment benefits	20	6,006	6,902
Non-current contract liabilities	15	5,589	3,688
Derivative financial instruments	14,25	3,967	16,623
Total non-current liabilities		**929,197**	**759,925**
Current interest-bearing borrowings	18,29	161,058	515,799
Current lease liabilities	19	7,796	7,633
Contract liabilities	15	21,798	14,003
Trade payables	21	43,190	52,667
Current income tax	9	2,704	367
Other current liabilities	22	81,234	91,594
Total current liabilities		**317,781**	**682,063**
Total liabilities		**1,246,978**	**1,441,987**
TOTAL EQUITY AND LIABILITIES		2,515,151	2,640,491

The Board of Odfjell Drilling Ltd.

25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Thomas Marsoner	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 thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Equity attributable to owners of the parent	Common shares	Preference shares	Non-controlling interest	Total equity
Balance at 1 January 2020	27,28	2,529	562,430	(108,045)	605,464	1,062,378	981,260	81,118	-	1,062,378
Profit/(loss) for the period		-	-	-	143,377	143,377	135,164	8,213	(73)	143,304
Other comprehensive income for the period		-	-	(2,518)	(2,039)	(4,557)	(4,557)	-	53	(4,504)
Total comprehensive income for the period		-	-	(2,518)	141,338	138,820	130,607	8,213	(21)	138,799
Cash dividend to preference shareholders		-	-	-	(4,107)	(4,107)	-	(4,107)	-	(4,107)
Non-controlling interests on acquisition of a subsidiary					-	-	-	-	549	549
Transactions with non-controlling interests					247	247	247	-	108	355
Cost of share-based option plan	37	-	-	529	-	529	529	-	-	529
Transactions with owners		-	-	529	(3,859)	(3,330)	776	(4,107)	656	(2,674)
Balance at 31 December 2020	27,28	2,529	562,430	(110,034)	742,942	1,197,868	1,112,644	85,224	636	1,198,503
Profit/(loss) for the period		-	-	-	74,383	74,383	65,754	8,629	(531)	73,852
Other comprehensive income for the period		-	-	50	(341)	(291)	(291)	-	7	(283)
Total comprehensive income for the period		-	-	50	74,043	74,093	65,464	8,629	(524)	73,569
Cash dividend to preference shareholders	27	-	-	-	(4,314)	(4,314)	-	(4,314)	-	(4,314)
Loss of control of subsidiaries					-	-	-	-	(112)	(112)
Cost of share-based option plan	37	-	-	528	-	528	528	-	-	528
Transactions with owners		-	-	528	(4,314)	(3,787)	528	(4,314)	(112)	(3,899)
Balance at 31 December 2021	27,28	2,529	562,430	(109,456)	812,671	1,268,174	1,178,635	89,539	-	1,268,174

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

Consolidated Statement of Cash Flows

for the year ended 31 December

USD thousands	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax		77,691	145,643
Adjustments for:			
Depreciation and amortisation	10,11	181,941	203,962
Change in fair value derivatives		(8,731)	(4,440)
Interest expense - net	8	49,906	65,906
Amortised transaction costs borrowings		3,281	5,300
Share of (profit) loss from joint ventures		539	-
Net (gain) loss on sale of tangible fixed assets		(369)	(2,531)
Post-employment benefit expenses less post-employment benefit payments		(1,137)	(3,314)
Net currency loss (gain) not related to operating activities		2,364	(4,778)
Other provisions and adjustments for non-cash items		2,377	6,413
Changes in working capital:			
Spare parts		(480)	(170)
Trade receivables and contract assets		2,794	13,905
Trade payables		4,697	(3,374)
Other accruals		(6,817)	(6,936)
Cash generated from operations		**308,056**	**415,584**
Interest paid		(49,869)	(66,648)
Net income tax paid		(1,686)	(3,194)
Net cash flow from operating activities		**256,501**	**345,743**

USD thousands	Note	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	10,11	(97,833)	(114,047)
Proceeds from sale of property, plant and equipment		974	3,130
Other non-current receivables		(49)	(2,461)
Cash used in obtaining control of subsidiaries		-	(100)
Proceeds from transactions with non-controlling interests		-	355
Cash flows from losing control of subsidiaries		(486)	-
Net cash flow used in investing activities		**(97,395)**	**(113,123)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	18	(2,133)	25,000
Repayments of borrowings	18	(176,211)	(208,211)
Repayment of lease liabilities	19	(6,126)	(5,822)
Dividends paid to preference shareholders	27	(4,314)	(4,107)
Net cash flow from financing activities		**(188,784)**	**(193,139)**
Effects of exchange rate changes on cash and cash equivalents		(4,186)	(2,279)
Net change in cash and cash equivalents		**(33,864)**	**37,201**
Cash and cash equivalents at 01.01		206,895	169,694
Cash and cash equivalents at 31.12		**173,031**	**206,895**

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements 2021

All amounts are in USD thousands unless otherwise stated

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Note 1 General information

Odfjell Drilling Ltd. and its subsidiaries (together 'the Group') operates mobile offshore drilling units in addition to providing well services and drilling and technology services.

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 2021 were approved by the Board of Directors on 25 April 2022.

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 2021 comply with IFRS as endorsed by the European Union (EU).

The consolidated financial statements ended 31 December 2021 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

The Group has adopted the going concern basis in preparing its consolidated financial statements. The assessment regarding the going concern assumption is disclosed in Note 4 - Critical accounting estimates and judgements.

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 after 1 January 2021 that have been adopted by the Group

- *Covid-19-Related Rent Concessions – amendments to IFRS 16*
- *Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 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 33.

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 thousands), 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	
	2021	2020	2021	2020
NOK	0.11631	0.10609	0.11339	0.11720
GBP	1.37556	1.28175	1.34788	1.36491
EUR	1.18325	1.13944	1.13259	1.22709

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.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2021 and not early adopted

Certain new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for 31 December 2021 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 Significant events and transactions in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

Master Frame Agreement work for Deepsea Atlantic

Equinor has in 2021 added 6 more wells to Deepsea Atlantic under the continued optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The commercial terms are materially the same as for the Johan Sverdrup Phase 2 contract that will commence in Q1 2022. The current firm well program is expected to end back-to-back with the Johan Sverdrup phase 2 contract commencement in early Q1 2022.

Lundin and Equinor contracts to Deepsea Stavanger

A final drilling contract with Lundin was signed on 2 March 2021. The duration of the contract was 3 firm wells with a contractual value of approximately USD 33 million. The contract commenced on 7 July 2021, back to back with the operations for Aker BP. On 1 December 2021, Lundin exercised one well as part of the optional well program agreed in this contract. The operations commenced early January 2022 and were completed end of January.

Additionally, on 26 May 2021, Equinor awarded a drilling contract to Odfjell Drilling for the use of the Deepsea Stavanger. The contract has a firm period of 3 wells with an expected duration of 4 months and an expected commencement date during Q1 2022.

The dayrate in the Equinor contract shall be similar to that agreed for sister rig Deepsea Aberdeen under its Breidablikk contract which is also set to commence during the first half of 2022. The Deepsea Stavanger's contract includes a notable performance incentive rate which shall apply when wells are delivered safely and ahead of target. The rig will also be included in the overall Master Frame Agreement between Equinor and Odfjell Drilling.

Further to the 3 wells awarded in May 2021, Equinor has on 27 September 2021 added one additional well to the rig under the continued optionality mechanism in the overall Master Frame Agreement between the parties. The additional well shall follow the current firm period of the three wells which commences during Q1 2022 and the rig is expected to be occupied into Q3 2022.

Aker BP exercises fourth year for Deepsea Nordkapp

Aker BP has, on 22 March 2021, exercised the second 12-month option for Deepsea Nordkapp under the contract entered into between the parties in April 2018. The second 12-month option shall commence after expiry of the first optional period in June 2022. The approximate contract value for the exercised optional scope is USD 109 million (excluding any integrated services). Furthermore, a performance bonus will be applicable. An additional scope based option period has been agreed which, if exercised shall follow completion of the firm period and have a duration of up to 12 months.

Platform Drilling and maintenance contract award by TAQA

TAQA in the UK has, on 19 March 2021, awarded Odfjell Drilling a five-year contract for the provision of Platform Drilling & Maintenance Services on its UK North Sea installations including North Cormorant, Harding, Tern Alpha, Brae Alpha and East Brae. Odfjell Drilling is the incumbent Platform Drilling & Maintenance Services contractor for three of these installations under a contract awarded in 2017 and this new agreement replaced the existing contract, with the addition of Brae Alpha and East Brae. The new contract was effective from 15 June 2021.

bp Alliance agreement for platform drilling and well services

Odfjell Drilling has entered into a long term contract with bp, which includes a tripartite Alliance Agreement together with Baker Hughes, to further develop the Clair field in the UK continental shelf. The firm period is valid to Q1 2025 plus 2 x 2 year options. Under the contract, Odfjell Drilling will continue with the provision of platform drilling and drilling maintenance services on three of bp's platforms in the UK North Sea (Clair, Clair Ridge and Andrew). In addition, Odfjell Well Services will also provide integrated services covering equipment rental, well bore clean up and tubular running services. The contract has recently commenced and replaced the previous platform drilling contract between Odfjell Drilling and bp.

Management and marketing services on Mira and Bollsta

On 23 December 2021, Northern Ocean Ltd awarded Odfjell Drilling the marketing and management services for the semisubmersibles West Mira and West Bollsta. Both units are high end harsh environment 6th generation semisubmersibles tailored for operations on the Norwegian Continental Shelf.

Odfjell Drilling took over the responsibility for Mira in the beginning of February 2022 and the unit currently is quayside at Hanoytangen outside Bergen, Norway. Bollsta finished its current contract with Lundin before being handed over to Odfjell Drilling in Q1 2022. The units have been renamed Deepsea Mira and Deepsea Bollsta after Odfjell Drilling's handover.

Bank facilities extension of 2021 debt maturities

Odfjell Drilling signed the final documentation for the extension of the Deepsea Aberdeen and Odfjell Drilling Services facilities on 30 June 2021. Both extensions were made effective on 2 July 2021.

The Deepsea Aberdeen facility was extended on the existing terms with USD 211 million outstanding across two export credit tranches and one commercial tranche as of the effective date. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

The Odfjell Drilling Services facility was extended to ultimo June 2023 with USD 150 million outstanding as of the effective date. The facility will be repaid by quarterly instalments of USD 5 million, with the first repayment due in February 2022. The applicable margin is 400 basis points.

COVID-19

The Covid-19 pandemic has had a significant impact on our business in terms of us having to adapt and adjust our ways of working. The pandemic necessitated a renewed focus on people and safety. The Group acted quickly to implement required routines to limit the spread of the virus.

The Well Services business has been significantly impacted by the Covid-19 pandemic, predominately due to the geographical reach of the business and the need for international movement and cross border activity, while the negative financial impact in the other segments has been limited. The main impact in the Well Services business has been reduced operating revenues due to customers postponing contract commencements. Strict cost control and cost reducing measures have secured acceptable margin levels.

The Group will continue to monitor the situation and take actions as required and recommended by local authorities.

Note 4 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)
- Recognition of deferred tax asset for carried forward tax losses (Note 9 - Income Taxes)
- Provisions and contingent liabilities (Note 30 - Contingencies)
- Warrant liabilities measured at fair value (Note 14 - Financial assets and liabilities)
- Determination of lease term and estimating the incremental borrowing rate (Note 19 - Leases)

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 recent 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. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024.

The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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.

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 the offshore oil and gas industry. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. Mobile Offshore Drilling Units business segment (MODU), Odfjell Energy business segment (Energy) and Odfjell Well Services business segment (OWS) have been determined as the operating segments.

Mobile Offshore Drilling Units

In the MODU segment, the Group operates drilling units owned by the Group and by third parties. The MODU segment also 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.

Energy

The Energy segment consist of two main business areas.

The main service offering of the Drilling Operations business area is production of drilling and well completion on client's fixed platforms. Other types of services offered are slot recovery, plug and abandonment, work-overs and maintenance activities.

The Engineering business area offers engineering services ranging from design and engineering to project management, modifications and upgrades, rig re-activation, third party equipment installations, 5 yearly SPS re-certifications and yard stays.

More recently the Engineering business area has sought to expand its services to new areas such as integrity management, and the transition towards increased renewable energy and sustainable markets, especially in Norway.

Well Services

The Well Services segment provides casing and tubular running services (both automated and conventional), drilling tool and tubular rental services and specialist well intervention products and services for exploration wells and for production purposes.

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Eliminations		Consolidated	
USD thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External segment revenue	571,288	703,881	200,111	142,316	79,848	76,703	12,606	6,838	863,853	929,739
Inter segment revenue	-	-	15,120	13,265	35,984	27,164	(51,104)	(40,430)	-	-
Total operating revenue	**571,288**	**703,881**	**215,231**	**155,582**	**115,832**	**103,868**	**(38,497)**	**(33,591)**	**863,853**	**929,739**
EBITDA	265,259	375,284	13,389	15,184	29,999	32,266	(5,106)	(2,331)	303,541	420,403
Depreciation, amortisation and impairment loss	(149,441)	(169,484)	(79)	(99)	(24,551)	(25,409)	(7,870)	(8,970)	(181,941)	(203,962)
Operating profit (EBIT)	**115,818**	**205,800**	**13,311**	**15,085**	**5,448**	**6,858**	**(12,977)**	**(11,302)**	**121,600**	**216,441**
Share of profit (loss) from joint ventures and associates									(539)	-
Net financial items									(43,370)	(70,798)
PROFIT / (LOSS) BEFORE TAX - CONSOLIDATED GROUP									77,691	145,643

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.

Mobile Offshore Drilling Units

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 dayrates, which range from a full operating dayrate to lower or zero rates for periods when drilling operations are interrupted. Payment of the dayrate 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 dayrates. 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.

Dayrate 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 15 - 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 15 - Contract balances. Demobilisation expenses are expensed as incurred.

The MODU segment also 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 dayrate based management fees, usually payable on a monthly basis. Refer to Note 15 - Contract balances for payment terms related to the management agreement with CIMC Raffles. 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.

Energy

Within the Energy segment, the Drilling Operations business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

Revenue is based on the transaction price in the contracts with customers. The main part of the transaction price is fixed day rates, which can vary depending on the phase of contract. Payment of the dayrate based transaction price is usually due on a monthly basis. Some contracts may contain milestone payments or prepayment for maintenance services not yet performed. Refer to Note 15 - Contract balances.

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.

The Engineering business area offers engineering services, including design, project management and operation and support. The transaction prices in the contracts are mainly based on rates per hour, but the business area may from time to time have some lump sum projects. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Well Services

The Well Services segment (OWS) provides casing and tubular running services (both automated and conventional), drilling tool and tubular rental services and specialist well intervention products and services for exploration wells and for production purposes.

Revenue for the rental services are recognised according to IFRS 16 *Leases* and is accounted for on a straight-line basis over the lease terms.

Services related to contracts with customers are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Revenue is based on the transaction price in the contracts with customers, which is a combination of fees for equipment used, personnel on board and other pricing elements. Payment of the transaction price is usually due on a monthly basis. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Revenue specification

USD thousands	2021	2020
Revenue from contracts with customers (IFRS 15)	658,898	567,265
Lease component in MODU contracts	180,614	333,851
Lease component in OWS contracts	23,424	27,736
Other operating revenue	917	885
Operating revenue	863,853	929,739

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

USD thousands	2021	2020
Customer 1	-	215,048
Customer 2	198,376	179,584
Customer 3	172,201	168,918
Customer 4	118,394	161,036
Customer 5	108,140	10,283

Disaggregation of revenue by primary geographical markets

	Mobile Offshore Drilling Units		Energy		Well Services		Corporate / Elimination		Consolidated	
USD thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Norway	571,288	349,128	148,900	103,013	64,640	55,085	(34,158)	(25,204)	**750,669**	482,023
United Kingdom	-	139,396	66,331	52,568	10,193	9,267	(4,339)	(3,707)	**72,185**	197,524
Europe - other countries	-	-	-	-	12,879	15,962	-	-	**12,879**	15,962
Asia	-	308	-	-	27,613	18,097	-	(133)	**27,613**	18,272
Africa	-	215,048	-	-	277	5,199	-	(4,548)	**277**	215,700
Other geographical markets	-	-	-	-	229	258	-	-	**229**	258
Total operating revenue	571,288	703,881	215,231	155,582	115,832	103,868	(38,497)	(33,591)	863,853	929,739

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.

The Well Services contracts are for periods of one year or less and are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

USD million	Future minimum lease payments MODU	Performance obligations MODU	Performance obligations Energy	Total firm backlog
Within one year	186	261	157	**603**
Between one and two years	126	155	139	**420**
Between two and three years	55	65	107	**227**
Between three and four years	-	-	25	**25**
Between four and five years	-	-	6	**6**
After five years	-	-	-	**-**
Total	367	481	435	1,282

Note 7 Personnel Expenses

USD thousands	Note	2021	2020
Salaries and wages		306,884	267,985
Employer`s national insurance contributions		43,910	36,115
Pension expenses	20	20,972	19,852
Cost of share-based option plan	37	528	529
Other benefits		15,645	11,626
Hired personnel		30,783	22,449
Capitalised personnel expenses *		(15,823)	(30,732)
Amortised personnel contract cost		-	12,479
Total personnel expenses		**402,899**	**340,303**

** Capitalised personnel expenses for the year 2020 include both contract costs for amortisation, and cost capitalised as part of additions to tangible fixed assets, while the 2021 expense represent additions to tangible fixed assets only.*

	2021	2020
No. of employees (annual average)	2,808	2,618

Note 8 Combined items, income statement

Other gains and losses

USD thousands	2021	2020
Gain disposal of shares in subsidiaries due to loss of control *	278	-
Distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association **	7,346	-
Net gain on disposal of tangible fixed assets	369	2,531
Net gain on disposal of assets	**7,993**	**2,531**

** Gain disposal of shares in subsidiaries due to loss of control relates to investment in Odfjell Oceanwind AS. Due to capital contributions from other investors, the Group's financial interest has been reduced to about 15% as at 31 December 2021. Odfjell Oceanwind AS is now classified as a joint venture, refer to note 34, and is accounted for using the equity method from May 2021.*

*** Due to an improved capital position, The Norwegian Shipowners' Mutual War Risks Insurance Association resolved to distribute USD 300 million to its members. The payment was subject to withholding tax (25%). The gross amount has been recognised.*

Other operating expenses

USD thousands	Note	2021	2020
Hired services		34,166	26,811
Hired equipment		17,870	11,186
Repair and maintenance, inspection, tools, fixtures and fittings		69,456	65,650
Insurance		3,944	3,790
Freight and transport		7,518	7,269
Premises facility expenses		4,368	3,701
Travel and course expenses		13,462	13,869
Other operating and administrative expenses		10,386	10,072
Capitalised contract cost	15	-	(13,232)
Amortised other operating contract cost	15	4,236	42,446
Total other operating expenses		**165,406**	**171,563**

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 thousands	Note	2021	2020
Interest expenses borrowings		47,261	63,850
Amortised transaction costs borrowings *	18	3,281	5,300
Interest expenses lease liabilities	19	2,566	2,396
Other interest expenses		216	295
Total interest expenses		53,324	71,841

** 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 thousands	Note	2021	2020
Net currency gain / (loss)		1,184	(2,830)
Other financial income		0	0
Change in value of market-based derivatives *	25	8,731	4,440
Other financial expenses		(98)	(1,203)
Total other financial items		9,817	408

** 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.

Significant judgement and estimation uncertainty

Odfjell Offshore Ltd, a subsidiary of Odfjell Drilling 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. As at 31 December 2021 the Group has an unrecognised tax asset of USD 24 million.

In 2018, the Norwegian Tax authorities requested further information regarding the deductibility for these tax losses. In March 2021 Odfjell Offshore received a new letter from the Norwegian Tax authorities where they argue that the company is not tax resident in Norway, and if it is, that the losses are not deductible and warn of a potential change in the company's tax return as a consequence of this. At the same time, further information was requested in the letter. The last correspondence with the tax authorities was a letter with more requested information sent from the company 15 October 2021.

If the company is not recognised as a tax resident in Norway, the group contributions received in the period 2017 to 2021 will not be deductible for the Norwegian entities that have provided the group contributions, and the Group will have to pay tax equal to approximately USD 34 million, and the unused tax losses disclosed on the next page will largely be lost.

If the company is recognised as a tax resident in Norway, but the losses are not considered to be deductible, the Group will have a payable tax equal to approximately USD 34 million.

The Group is of the opinion that the most likely outcome of any further proceedings is that the company is recognised as a tax resident in Norway and maintains the right to utilise the tax losses. There might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Group's favour.

Income tax expense

USD thousands	2021	2020
Withholding taxes paid / payable	(1,838)	(1,552)
Payable taxes	(2,192)	(484)
Change in deferred tax	192	(303)
Total income tax expense	**(3,838)**	**(2,339)**
EFFECTIVE TAX RATE	4.9 %	1.6 %

Tax reconciliation

USD thousands	2021	2020
PROFIT / (LOSS) BEFORE INCOME TAX	**77,691**	**145,643**
Tax calculated at domestic tax rates applicable to profits in respective countries* (including withholding tax)	(7,112)	(3,089)
Net utilisation of unrecognised tax losses	7,577	6,130
Effect of changes in tax rates	23	-
Effect of adjustments recognised related to prior periods	(1,125)	(346)
Effect of net non-taxable income / (expenses) **	(3,202)	(5,035)
Income tax expense	**(3,838)**	**(2,339)**

** 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 thousands	31.12.2021	31.12.2020
Unused tax losses for which no deferred tax asset has been recognised	108,320	147,594
Potential tax benefit 22%	**23,917**	**32,524**

The movement in unrecognised tax assets is as follows:

USD thousands	2021	2020
Unrecognised tax asset as at 01.01	32,524	37,542
Net utilisation of unrecognised tax losses	(7,577)	(6,130)
Effect of changes in tax rates	(53)	-
Currency translation differences	(978)	1,113
Unrecognised tax asset as at 31.12	**23,917**	**32,524**

The Group has an unrecognised tax asset of USD 24 million, which is mainly related to operations in Norway as explained above. Due to current market uncertainties, the level of future taxable profits is too unpredictable to support a recognised tax asset.

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

USD thousands	2021	2020
Net deferred tax assets/(deferred tax liabilities) at 01.01	1,040	777
Income statement charge	192	(303)
Change in deferred tax on other comprehensive income	96	575
Currency translation differences	(37)	(8)
Net deferred tax assets/(deferred tax liabilities) at 31.12	**1,291**	**1,040**

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

Deferred tax assets - Specification and movements

USD thousands	Tax losses	Current assets	Net pension liabilities	Fixed assets	Lease liabilities	Total
Opening balance 01.01.2020	48	199	1,700	461	9,891	12,298
Income statement charge	-	1	(729)	(119)	(657)	(1,504)
Change in deferred tax on other comprehensive income	-	-	575	-	-	575
Currency translation differences	2	7	(27)	1	230	212
Closing balance 31.12.2020	**50**	**206**	**1,518**	**343**	**9,464**	**11,581**
Income statement charge	(50)	(0)	(250)	25	677	401
Change in deferred tax on other comprehensive income	-	-	96	-	-	96
Currency translation differences	0	(5)	(43)	(12)	(330)	(390)
Closing balance 31.12.2021	**-**	**201**	**1,321**	**356**	**9,811**	**11,689**

Deferred tax liabilities - Specification and movements

USD thousands	Deferred capital gains	Right-of-use Assets	Total
Opening balance 01.01.2020	(1,809)	(9,712)	(11,522)
Income statement charge	337	864	1,201
Currency translation differences	(17)	(204)	(221)
Closing balance 31.12.2020	**(1,489)**	**(9,052)**	**(10,541)**
Income statement charge	296	(505)	(210)
Currency translation differences	41	311	352
Closing balance 31.12.2021	**(1,153)**	**(9,246)**	**(10,398)**

Net book value of deferred taxes

USD thousands	2021	2020
Deferred tax assets	11,689	11,581
Deferred tax liabilities offset in deferred tax assets	(10,398)	(10,541)
Net book value of deferred tax asset at 31.12.	1,291	1,040

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

USD thousands	Before tax 2021	Tax (charge)/ credit 2021	After tax 2021	Before tax 2020	Tax (charge)/ credit 2020	After tax 2020
Actuarial loss on post employment benefit obligations	(437)	96	(341)	(2,614)	575	(2,039)
Other comprehensive income	(437)	96	(341)	(2,614)	575	(2,039)
Deferred tax		96			575	

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.

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 possible reversal of the impairment at each reporting date.

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 2021

USD thousands	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2021	2,931,326	158,487	376,567	21,471	56,058	3,543,908
Additions	45,327	13,173	15,195	1,919	9,135	84,749
Reclassifications *	(24,530)	-	24,530	-	-	-
Disposals	(6,870)	-	(7,174)	(1,072)	(3,193)	(18,308)
Currency translation differences	-	-	(1,402)	(741)	(2,016)	(4,158)
Cost as at 31 December 2021	2,945,253	171,660	407,717	21,578	59,983	3,606,190
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	(965,754)	(34,859)	(307,843)	(18,583)	(13,481)	(1,340,520)
Depreciation	(112,218)	(34,597)	(22,218)	(1,211)	(6,822)	(177,066)
Disposals	6,775	-	6,762	972	3,193	17,704
Currency translation differences	-	-	1,373	615	561	2,549
As at 31 December 2021	(1,071,197)	(69,456)	(321,925)	(18,207)	(16,549)	(1,497,334)
NET BOOK VALUE AT 31 DECEMBER 2021	1,874,056	102,203	85,792	3,371	43,434	2,108,856
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.*

Specification and movements 2020

USD thousands	Mobile drilling units	Periodic main-tenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2020	3,126,346	256,445	365,058	21,076	52,643	3,821,568
Additions	41,993	59,183	18,075	601	2,616	122,469
Disposals	(237,014)	(157,141)	(7,739)	(855)	(931)	(403,680)
Currency translation differences	-	-	1,173	649	1,729	3,550
Cost as at 31 December 2020	**2,931,326**	**158,487**	**376,567**	**21,471**	**56,058**	**3,543,908**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	(1,075,777)	(149,779)	(290,695)	(17,719)	(6,732)	(1,540,701)
Depreciation	(126,937)	(42,221)	(23,208)	(1,143)	(6,913)	(200,421)
Disposals	236,959	157,141	7,200	849	931	403,080
Currency translation differences	-	-	(1,141)	(570)	(767)	(2,478)
As at 31 December 2020	**(965,754)**	**(34,859)**	**(307,843)**	**(18,583)**	**(13,481)**	**(1,340,520)**
NET BOOK VALUE AT 31 DECEMBER 2020	**1,965,571**	**123,628**	**68,724**	**2,888**	**42,576**	**2,203,387**
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*	

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 175 million at 31 December 2021.

For more information about Right-of-use assets, refer to Note 19 - Leases.

Disposal of drilling unit

The rig Deepsea Bergen was disposed for recycling in December 2020.

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.

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.

Odfjell Drilling has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021.

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 2021

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2021	19,740	23,242	1,650	1,284	45,916
Additions	-	5,617	466	48	6,130
Disposal at loss of control of subsidiary	(793)	-	-	-	(793)
Currency translation differences	(586)	(898)	-	-	(1,484)
Cost as at 31 December 2021	**18,361**	**27,961**	**2,116**	**1,332**	**49,769**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2021	-	(16,454)	(179)	(391)	(17,024)
Amortisation	-	(4,336)	(262)	(276)	(4,875)
Currency translation differences	-	644	-		644
As at 31 December 2021	**-**	**(20,146)**	**(441)**	**(667)**	**(21,254)**
NET BOOK VALUE AT 31 DECEMBER 2021	18,361	7,815	1,675	665	28,516
Useful lifetime		*3-7 years*	*5-10 years*	*10 years*	
Depreciation schedule		*Straight line*	*Straight line*	*Straight line*	

Specification and movements 2020

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
COST					
At 1 January 2020	18,443	21,585	1,650	787	42,465
Additions	-	932	-	497	1,429
Acquisition of subsidiary	680	-	-	-	680
Currency translation differences	617	724	-	-	1,341
Cost as at 31 December 2020	**19,740**	**23,242**	**1,650**	**1,284**	**45,916**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2020	-	(12,627)	(14)	(146)	(12,787)
Amortisation	-	(3,132)	(165)	(244)	(3,542)
Currency translation differences	-	(695)	-	-	(695)
As at 31 December 2020	**-**	**(16,454)**	**(179)**	**(391)**	**(17,024)**
NET BOOK VALUE AT 31 DECEMBER 2020	**19,740**	**6,788**	**1,471**	**893**	**28,892**
Useful lifetime		*3-7 years*	*5-10 years*	*10 years*	
Depreciation schedule		*Straight line*	*Straight line*	*Straight line*	

Software - Global Standard integrated system

Software includes the Global Standard integrated system (IFS). This software is amortised using the straight-line method over an estimated lifetime of 7 years. The Group has conducted an assessment at year-end to determine if there are any impairment indicators that might warrant a further review of the carrying value of the Global Standard system. No such indicators were found, therefore there has not been an impairment adjustment.

Internally developed assets

The carrying amount of internally developed assets include development expenses incurred in connection with developing a new drill-hole cleaning tool. The technology has been patented. The Group have documented that the new technology met the criteria for recognition in the balance sheet. The new tool is part of Odfjell Well Services product line and is expected to generate future cash flow to support the book value as at 31 December 2021.

The developed assets are amortised using a straight-line method over an estimated lifetime of 10 years.

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

USD thousands	Mobile OffshoreDrilling Units 2021	2020	Energy 2021	2020	Well Services 2021	2020	Total 2021	2020
At 1 January	3,418	3,322	12,061	10,981	4,261	4,141	19,740	18,443
Acquisition of subsidiary	-	-	-	680	-	-	-	680
Disposal due to loss of control of subsidiary *	-	-	(793)	-	-	-	(793)	-
Translation differences	(111)	96	(337)	400	(139)	120	(586)	617
Net book value at 31 December	**3,307**	**3,418**	**10,932**	**12,061**	**4,122**	**4,261**	**18,361**	**19,740**

** Disposal due to loss of control of subsidiary relates to investment in Odfjell Oceanwind AS. Due to capital contributions from other investors, the Group's financial interest has been reduced to about 15% as at 31 December 2021. Odfjell Oceanwind AS is now classified as a joint venture, and is accounted for using the equity method from May 2021.*

The Energy segment, as well as the Well Services segment, only consist of one Cash Generation Unit (CGU) each. The Mobile Offshore Drilling Units segment consist of owned rigs and management of other rigs. Only cash flow from management of other rigs is used in the impairment test of goodwill, as the cash flow from owned rigs is allocated to fixed assets.

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 2022 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	Mobile Offshore Drilling Units 2021	2020	Energy 2021	2020	Well Services 2021	2020
EBITDA margin in prognosis period	11% - 15%	13% - 16%	5% - 8%	5% - 7%	22% - 36%	25% - 29%
Growth rate year 6 and forward	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10 %	10 %	10 %	10 %	12 %	10 %

Impairment tests performed for goodwill for respective CGUs do not indicate any impairment as per 31.12.2021.

Sensitivity analysis for goodwill impairment test as at 31.12.2021

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.

Reducing EBITDA margin by five percentage points indicated an impairment write-down of USD 4 million in the Well Services segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 11 million in the Energy segment and USD 4 million in the Well Services segment.

None of the other scenarios indicated any impairment write-down of goodwill as at 31 December 2021.

Note 12 Other assets

Other non-current assets

USD thousands	31.12.2021	31.12.2020
Deposits	2,726	2,588
Total other non-current assets	2,726	2,588

Other current assets

USD thousands	Note	31.12.2021	31.12.2020
Derivative financial instruments	25	584	5,726
Prepaid expenses		9,446	10,656
Assets from contract costs	15	7,260	-
Income tax receivables		2,973	852
VAT receivables		3,384	4,906
Other current receivables		4,358	1,695
Total other current assets		28,005	23,834

Note 13 Spare parts

Spare parts are stated at the lower of cost and net realisable value. Cost is attributed using the first-in, first-out (FIFO) method. The costs of spare parts comprise the purchase price, import duties and other taxes, transport and handling and other costs directly attributable to the acquisition of the goods. Trade discounts, rebates and other similar items are deducted in determining cost.

Note 14 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 at :

- fair value through profit or loss,
- loans and borrowings,
- payables, 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 18 - 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 25 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 in 2021 related to the warrant agreements, nor to the modelling technique used to calculate fair value. Changes in book value relate to fair value changes.

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

USD thousands	Note	Level	31.12.2021	31.12.2020
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current assets	25	2	4,963	-
- Foreign exchange forward contracts - Other current assets	25	2	-	1,360
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	25	2	584	4,366
OTHER FINANCIAL ASSETS				
Other non-current receivables	12		2,726	2,588
Contract assets	15		10,221	9,898
Trade receivables	16		154,547	161,889
Other current receivables	12		4,358	1,695
Cash and cash equivalents	17		173,031	206,895
Total assets as at 31.12			**350,429**	**388,691**

USD thousands	Note	Level	31.12.2021	31.12.2020
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	25	2	-	828
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	25	2	3,017	10,545
Warrant liabilities - Other non-current liabilities	25	3	950	5,250
OTHER FINANCIAL LIABILITIES				
- Non-current interest-bearing borrowings	18		875,352	695,792
- Current interest-bearing borrowings	18		161,058	515,799
- Non-current lease liabilities	19		38,282	36,920
- Current lease liabilities	19		7,796	7,633
- Trade payables			43,190	52,667
- Other current liabilities	22		56,621	66,519
Total liabilities as at 31.12.			**1,186,268**	**1,391,953**

The fair value of financial assets and liabilities at amortised cost approximate their carrying amount.

Note 15 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 thousands	31.12.2021	31.12.2020
Contract assets	10,221	9,898
Contract liabilities	(27,387)	(17,691)

The contract assets as at 31 December 2021 and 31 December 2020 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 Mobile Drilling Unit contracts, and will be recognised as revenue over the contracts' drilling periods. Approximately USD 5.6 million relates to Drilling Operations contracts and will be recognised as revenue over an estimated period up to 5 years.

Set out below is the amount of revenue recognised from:

USD thousands	2021	2020
Amounts included in contract liabilities at the beginning of the year	12,608	34,445
Performance obligations satisfied in the previous years	2,676	5,245

Assets from contract costs

USD thousands	Note	2021	2020
Asset recognised at 31 December from costs incurred to fulfil a contract	12	7,260	-
Amortisation recognised as cost of providing services during the period		4,236	54,925

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 2021 is related to drilling operations to be performed by the mobile drilling unit Deepsea Aberdeen under the contracts with Wintershall and Equinor, and consisted of cost incurred regarding these specific drilling contracts, 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.

The amortisation cost recognised in 2020 relates to drilling operations performed by the mobile drilling unit Deepsea Stavanger in South Africa under the drilling contract with Total.

Note 16 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 14 - Financial assets and liabilities.

Trade receivables specification

USD thousands	Note	31.12.2021	31.12.2020
Trade receivables		103,129	131,735
Earned, not yet invoiced operating revenues		52,824	31,287
Loss allowance	26	(1,406)	(1,132)
Trade receivables - net		**154,547**	**161,889**

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 26 - Credit risk.

Note 17 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 thousands	31.12.2021	31.12.2020
Cash in bank	83,556	180,973
Time deposits	63,507	137
Retention accounts *	11,940	12,207
Restricted bank deposits **	14,028	13,578
Total cash and cash equivalents	**173,031**	**206,895**

** 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 18 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 14 - Financial assets and liabilities.

Interest-bearing borrowings specification as at 31 December

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Bank borrowings	839,316	156,211	995,526	660,526	511,211	1,171,737
Transaction cost, unamortised	(11,333)	-	(11,333)	(11,061)	(1,420)	(12,481)
Seller's credit	47,369	-	47,369	46,326	-	46,326
Accrued interest expenses	-	4,847	4,847	-	6,009	6,009
Carrying amounts interest-bearing borrowings	**875,352**	**161,058**	**1,036,410**	**695,792**	**515,799**	**1,211,591**

Movements in interest-bearing borrowings

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Carrying amount as at 1 January	**695,792**	**515,799**	**1,211,591**	**1,173,882**	**216,581**	**1,390,462**
CASH FLOWS:						
New bank loan raised	-	-	-	25,000	-	25,000
Repayment bank loan	-	(176,211)	(176,211)	-	(208,211)	(208,211)
Paid transaction costs related to amendments	(2,133)	-	(2,133)	-	-	-
NON-CASH FLOWS:						
Reclassified	179,182	(179,182)	-	(508,226)	508,226	-
Change in transaction cost, unamortised	2,512	769	3,281	5,136	164	5,300
Change in accrued interest cost	-	(118)	(118)	-	(960)	(960)
Carrying amount as at 31 December	**875,352**	**161,058**	**1,036,410**	**695,792**	**515,799**	**1,211,591**

Repayment schedule for interest-bearing borrowings as at 31 December

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Maturity within 3 months	-	26,053	26,053	-	21,053	21,053
Maturity between 3 and 6 months	-	52,053	52,053	-	67,053	67,053
Maturity between 6 and 9 months	-	26,053	26,053	-	21,053	21,053
Maturity between 9 months and 1 year	-	52,053	52,053	-	402,053	402,053
Maturity between 1 and 2 years	445,816	-	445,816	84,211	-	84,211
Maturity between 2 and 3 years	440,869	-	440,869	263,816	-	263,816
Maturity between 3 and 4 years	-	-	-	358,826	-	358,826
Maturity between 4 and 5 years	-	-	-	-	-	-
Maturity beyond 5 years	-	-	-	-	-	-
Total contractual amounts	886,685	156,211	1,042,896	706,853	511,211	1,218,063

Refer to Note 24 and Note 25 for further information regarding liquidity risk and interest risk.

Refinancing

30 June 2021, the Group entered into agreements for a refinancing related to its 2021 debt maturities, as further described below.

This refinancing was accounted for as modifications of the original financial liabilities and the carrying amounts were recalculated in accordance with IFRS 9, resulting in a net modification gain being recognised as finance cost in 2021.

The Odfjell Rig III Ltd. facility

The Deepsea Aberdeen facility, with USD 211 million outstanding as at 30 June 2021 across two export credit tranches and one commercial tranche, was extended on the existing terms. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

Remaining contractual amount of USD 185 million as at 31 December 2021.

The Odfjell Drilling Services Ltd. facility

The Odfjell Drilling Services Ltd facility with USD 170 million outstanding as at 30 June 2021 was extended to ultimo June 2023. USD 20 million, repayable in November 2021 prior to amendment, was repaid 2 July 2021. The remaining facility will be repaid by quarterly instalments of USD 5 million, with the first repayment due in February 2022. The applicable margin is 400 basis points.

Remaining contractual amount of USD 150 million as at 31 December 2021 was repaid 1 March 2022.

The Odfjell Invest Ltd. facilities

Remaining contractual amount for the senior bank facility of USD 312.5 million and USD 100 million for the junior facility as at 31 December 2021.

The Odfjell Rig V Ltd. facility

Remaining contractual amount of USD 248 million as at 31 December 2021 for the bank facility.

The Odfjell Rig V Ltd. seller's credit

Seller's credit, including capitalized interest amount to USD 48 million as at 31 December 2021.

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 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 2021.

Compliance with financial covenants as at 31.12.2021

The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2021.

Financial covenants

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

Group covenants

The Odfjell Drilling Group has agreed to maintain, at all times, 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). The Odfjell Drilling Group has agreed to maintain 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%. Further, the group has agreed at all times to maintain 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. The ratio of current assets to current liabilities shall at all times be a minimum 1.00:1.00.

Odfjell Invest Ltd – USD 425 million facility

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

The facility agreement contains 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 Deepsea Stavanger and Deepsea Atlantic.

Odfjell Drilling may pay dividends in an amount up to 50% of its net income in its previous financial year. The facility agreement further contains default and cross-default provisions, all applicable to Odfjell Invest Ltd., and its subsidiaries, and in some cases the Odfjell Drilling Group. The cross-default provision is only applicable to the Odfjell Drilling Group in relation to a default on indebtedness of more than USD 5 million.

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. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers 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 semi-submersible drilling rig "Deepsea Aberdeen". Further, the Facility Agreement also contains default and cross default provisions, all applicable to Odfjell Rig III Ltd., including the Odfjell Drilling Group and the Odfjell Rig Owning Ltd., Group.

Odfjell Drilling Services - USD 150 million facility

The Odfjell Drilling Services Group has agreed to maintain, at all times, a minimum liquidity of at least USD 35 million. Further, the Odfjell Drilling Services Group has agreed to maintain an equity ratio (equity to total assets) of minimum 30 per cent. The Odfjell Drilling Services Group has also agreed to ensure that the ratio of current assets to current liabilities shall at all times be minimum 1.00. Finally, the interest coverage ratio (EBITDA to net finance charges) of the Odfjell Drilling Services Group calculated on a 12 months' rolling basis shall be above 2.0x.

Further, the facility agreement implies certain restrictions on ownership, including that (i) Helene Odfjell and descendants shall own and control (directly or indirectly) at least 50.1 per cent of the voting rights and capital interest in Odfjell Drilling Ltd., and (ii) Odfjell Drilling Ltd., shall own and control, either directly or indirectly, 100 per cent of Odfjell Drilling Services Ltd., and Odfjell Rig Owning Ltd. The facility agreement also involves further restrictions on, inter alia, financial indebtedness, capital expenditures and financial support, all such provisions mainly applicable to Odfjell Drilling Services Group only.

The facility agreement otherwise contains undertakings and covenants which Odfjell Drilling Services Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information and certain restrictions on corporate actions and change of business. Payment of dividends from Odfjell Drilling Ltd., on ordinary shares shall be limited to 50% of its net income, provided that the lenders have on each occasion given their prior written consent. Further, the facility agreement also contains default and cross default provisions, all applicable to the obligors under the facility agreement, however such that cross default is applicable to any member of the Odfjell Drilling Group.

Odfjell Rig V Ltd - USD 325 million facility

The loan facility was fully drawn on 3 January 2019 in relation to the delivery of Deepsea Nordkapp that took place on 7 January 2019.

Dividends on ordinary shares shall be limited to 50% of its net income. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

Otherwise, the facility contains provisions that are regarded as customary for these type of facilities, 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 semi-submersible drilling rig "Deepsea Nordkapp".

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 type of facilities.

Note 19 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 of 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 thousands	Properties 2021	Other fixed assets 2021	Total Right-of-use assets 2021	Properties 2020	Other fixed assets 2020	Total Right-of-use assets 2020
COST						
At 1 January	56,058	-	**56,058**	51,851	792	**52,643**
Additions	9,135	-	**9,135**	2,617	1	**2,617**
Disposals	(3,193)	-	**(3,193)**	(194)	(737)	**(931)**
Currency translation differences	(2,016)	-	**(2,016)**	1,783	(55)	**1,728**
Cost as at 31 December	**59,983**	**-**	**59,983**	**56,058**	**-**	**56,058**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January	(13,481)	-	**(13,481)**	(6,322)	(411)	**(6,732)**
Depreciation	(6,822)	-	**(6,822)**	(6,558)	(355)	**(6,913)**
Disposals	3,193	-	**3,193**	194	737	**931**
Currency translation differences	561	-	**561**	(796)	28	**(767)**
As at 31 December	**(16,549)**	**-**	**(16,549)**	**(13,481)**	**-**	**(13,481)**
NET BOOK VALUE AT 31 DECEMBER	**43,434**	**-**	**43,434**	**42,576**	**-**	**42,576**

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 thousands	31.12.2021	31.12.2020
Non-current	38,282	36,920
Current	7,796	7,633
Total	46,078	44,553

Movements in lease liabilities are analysed as follows:

USD thousands	Non-current 2021	Current 2021	Total 2021	Non-current 2020	Current 2020	Total 2020
Carrying amount as at 1 January	36,920	7,633	**44,553**	38,901	7,757	**46,659**
CASH FLOWS:						
Payments for the principal portion of the lease liability	-	(6,126)	**(6,126)**	-	(5,822)	**(5,822)**
Payments for the interest portion of the lease liability	-	(2,517)	**(2,517)**	-	(2,379)	**(2,379)**
NON-CASH FLOWS:						
New lease liabilities recognised in the year	9,135	-	**9,135**	2,616	-	**2,616**
Interest expense on lease liabilities	2,566	-	**2,566**	2,396	-	**2,396**
Reclassified to current portion of lease liabilities	(9,074)	9,074	**-**	(7,854)	7,854	**-**
Currency exchange differences	(1,264)	(268)	**(1,532)**	859	223	**1,082**
Carrying amount as at 31 December	**38,282**	**7,796**	**46,078**	**36,920**	**7,633**	**44,553**

Rental costs for exemptions

USD thousands	2021	2020
Expenses relating to short-term leases	14,638	8,168
Expenses relating to low value items	480	975

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 2021, potential future cash outflows of USD 63 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).

Commitments related to leases not commenced as at 31 December 2021

In 2020, the Group entered into office and workshop lease contracts of which one has not been fully commenced as at 31 December 2021 due to construction work. The leased assets are not available for use by the Group as at 31 December 2021. It is estimated that a lease liability of about USD 4 million with a corresponding right-of-use asset will be recognised in 2022.

Note 20 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 five Norwegian companies covering a total of 43 active members and 31 pensioners as at 31 December 2021 (46 active members and 29 pensioners as at 31 December 2020). 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.

In 2020 the funded pension scheme for seamen's early retirement was settled, resulting in a loss of USD 0.3 million, see table below.

Movements in the net defined benefit obligation

USD thousands	Present value of obligation 2021	Fair value of plan assets 2021	Total 2021	Present value of obligation 2020	Fair value of plan assets 2020	Total 2020
At 1 January	25,722	(18,820)	**6,902**	49,915	(42,190)	**7,725**
Current service cost	1,079	-	**1,079**	937	-	**937**
Loss on plan amendment, curtailment and settlement	-	-	-	320	-	**320**
Interest expense/ (income)	382	(264)	**117**	363	(271)	**93**
Total amount recognised in profit or loss	**1,461**	**(264)**	**1,197**	**1,621**	**(271)**	**1,350**
Re-measurements:						
Loss from change in discount rate	-	-	-	2,330	-	**2,330**
Gain from change in other financial assumptions	737	-	**737**	(1,026)	55	**(971)**
Experience (gains)/loss	(10)	(449)	**(459)**	1,197	(71)	**1,125**
Investment management cost	-	158	**158**	-	130	**130**
Total amount recognised in other comprehensive income	**727**	**(290)**	**437**	**2,501**	**113**	**2,614**
Exchange differences	(849)	653	**(196)**	(1,219)	1,097	**(123)**
Contributions:						
Employers	(239)	(1,697)	**(1,936)**	(572)	(4,058)	**(4,631)**
Payments from plans:			-			-
Benefit payments	(736)	339	**(397)**	(289)	256	**(34)**
Settlements	-	-	-	(26,234)	26,234	-
At 31 December	**26,086**	**(20,079)**	**6,006**	**25,722**	**(18,820)**	**6,902**

Estimated premium payments to funded defined benefit obligations in 2022 amounts to about USD 1.5 million.

Amounts recognised in Statement of Financial Position

USD thousands	31.12.2021	31.12.2020
Present value of funded obligations	23,340	22,542
Fair value of plan assets	(20,079)	(18,820)
Deficit of funded plans	**3,261**	**3,722**
Present value of unfunded obligations	2,745	3,180
Total deficit of defined benefit pension plans	**6,006**	**6,902**

The significant actuarial assumptions were as follows:

	31.12.2021	31.12.2020
Discount rate	1.50%	1.50%
Salary growth rate	2.50%	2.00%
Expected growth in G (base social security amount)	2.25%	1.75%
Pension growth rate	0.0%-2.25%	0.0%-1.75%

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: 31.12.2021	31.12.2020	Change in assumption by:	Impact on Present value of obligation: 31.12.2021	31.12.2020
Discount rate	+0.5%	(1,705)	(592)	-0.5%	1,960	664
Salary growth rate	+0.5%	592	210	-0.5%	(624)	(243)
Pension growth rate	+0.5%	1,235	333	-0.5%	(32)	(33)

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

	31.12.2021	31.12.2020
Shares	10%	7%
Short term bonds	20%	20%
Money market	11%	11%
Long term bonds	27%	31%
Loans & Receivables	19%	17%
Real estate	14%	14%
Other	1%	0%

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

USD thousands	2021	2020
Pension expenses (-net gain) from defined benefit scheme included in personnel expenses	1,079	1,257
Pension expenses from defined contribution schemes	12,154	12,400
Pension expenses from multi-employer plans accounted for as defined contribution schemes	7,739	6,194
Total pension expenses included in personnel expenses	**20,972**	**19,852**

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

Note 21 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 14 - Financial assets and liabilities.

Note 22 Other liabilities

Other current liabilities specification

USD thousands	31.12.2021	31.12.2020
Social security and other taxes	24,613	25,075
Accrued salaries, holiday pay and employee bonus provisions	37,537	37,107
Other payables and financial liabilities	2,018	6,589
Other accrued expenses	17,067	22,822
Total other current liabilities	**81,234**	**91,594**

Refer to Note 30 - Contingencies for further information about accounting policy for provisions and accruals, as well as significant judgement applied and estimation uncertainty.

Note 23 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 areas. 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 18 - Interest-bearing borrowings which disclose information about covenants on long term interest bearing liabilities.

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

Deposits / placements

The liquidity management has four main objectives:

- Matching of surplus funds against borrowing requirements.
- Secure a high level of liquidity (a targeted minimum of two months cash flow) in order 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

Working Capital

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

	31.12.2021	31.12.2020
Equity	1,268,174	1,198,503
Total assets	2,515,151	2,640,491
Equity ratio	**50%**	**45%**
Cash and cash equivalents excl.restricted capital	159,003	193,317
Available drawing facilities	-	-
Total available liquidity	**159,003**	**193,317**

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 24 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. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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 173 million at the end of 2021. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2022.

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 more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 30 regarding notice of decision received 1 October 2021 from HM Revenue and Customs. The Group has per 31 December 2021 not received any formal material assessment which is not disclosed in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour. See Note 9 - Income Taxes for further information.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024. See Note 18 - 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 - 31.12.2021

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
Interest-bearing borrowings	97,107	96,317	477,168	452,501	-	**1,123,094**	1,036,410
Lease liabilities	3,955	3,842	7,507	19,690	22,528	**57,522**	46,078
Trade payables	43,124	66	-	-	-	**43,190**	43,190
Other current payables	51,252	5,370	-	-	-	**56,621**	56,621

Maturity of financial liabilities - 31.12.2020

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
Interest-bearing borrowings	115,714	448,514	116,424	660,045	-	**1,340,698**	1,211,591
Lease liabilities	4,035	3,600	6,727	17,361	24,614	**56,338**	44,553
Trade payables	52,643	25	-	-	-	**52,667**	52,667
Other current payables	62,921	3,597	-	-	-	**66,519**	66,519

Note 25 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 2022, as all units in the fleet has medium to long-term contracts.

Contract status and currency exposure in rig rates

Deepsea Atlantic commenced its Johan Sverdrup phase 2 contract with Equinor on 31 December 2021 after completing several wells under the Master Frame Agreement with Equinor in 2021. The rig is expected to have full operations until mid 2023. The dayrates are split in a USD element and a NOK element.

Deepsea Stavanger has been operating for both Lundin and Aker BP during 2021. The contract with Aker BP was finalised on 8 November and the rig again returned to operations for Lundin on 1 January 2022 for a one well program. Deepsea Stavanger finalised this well at the end of January and on 1 February 2022 commenced its work under the Master Frame Agreement with Equinor. The current fixed well program with Equinor is expected to take firm operations into Q3 2022. The dayrate includes USD and NOK elements in order to hedge the local currency exposure.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The rig has currently firm work into Q1 2024 as Aker BP in February 2022 exercised a scope based option covering four development wells on the Norwegian Continental Shelf. The dayrate includes USD and NOK elements in order to hedge the local currency exposure.

Deepsea Aberdeen is scheduled to work for Wintershall until it will commence its long-term contract with Equinor at the Breidablikk field in spring 2022. The rate with Equinor consists of a USD element and a NOK element. The rate from Wintershall is solely in USD and the group has entered into currency forward contracts to hedge its currency exposure during most of the contract period.

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 thousands	31.12.2021	31.12.2020
CURRENT ASSETS		
Foreign exchange contracts - at fair value through profit or loss	-	1,360
Foreign exchange contracts - cash flow hedges under hedge accounting	584	4,366
Total current derivative financial instruments asset	**584**	**5,726**
NON-CURRENT ASSETS		
Interest rate swaps - at fair value through profit or loss	4,963	-
Total non-current derivative financial instruments asset	**4,963**	**-**
NON-CURRENT LIABILITIES		
Interest rate swaps - at fair value through profit or loss	-	828
Interest rate swaps - cash flow hedges under hedge accounting	3,017	10,545
Warrant liability - at fair value through profit or loss	950	5,250
Total non-current derivative financial instruments liabilities	**3,967**	**16,623**

The group's hedging reserves disclosed in Note 28 - Other reserves related to the following instruments:

Cash flow hedging reserves

USD thousands	Currency forwards	Interest rate swaps	Total hedge reserves
Opening balance 1 January 2020	**-**	**1,124**	**1,124**
Change in fair value of hedging instruments recognised in OCI	4,366	(13,651)	(9,285)
Reclassified from OCI to profit or loss	-	1,982	1,982
Closing balance 31 December 2020	**4,366**	**(10,545)**	**(6,179)**
Change in fair value of hedging instruments recognised in OCI	175	3,335	3,652
Reclassified from OCI to profit or loss	(3,956)	4,193	237
Closing balance 31 December 2021	**584**	**(3,017)**	**(2,291)**

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 thousands	31.12.2021	31.12.2020
INTEREST RATE SWAPS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Amounts recognised in interest expenses	(786)	(430)
Change in fair value	5,790	(758)
FOREIGN EXCHANGE CONTRACTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		
Change in fair value	(1,360)	1,337
Warrant liability - at fair value through profit or loss		
Change in fair value	4,300	3,861

Foreign exchange risk

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

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 - 31.12.2021

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	85,545	5,702	6,448
Trade receivables	64,103	24,991	7,996
Contract assets	7,122	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(41,737)	(1,383)	(2,958)
Trade payables	(24,921)	(5,768)	(2,655)
Other current payables	(68,221)	(4,954)	(1,718)
FOREIGN CURRENCY FORWARDS			
Buy foreign currency (cash flow hedges under hedge accounting)	17,410	-	-

Foreign exchange risk - Exposure - 31.12.2020

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	70,607	8,740	7,353
Trade receivables	65,300	18,705	8,945
Contract assets	7,361	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(40,825)	(1,803)	(1,925)
Trade payables	(30,085)	(3,861)	(4,065)
Other current payables	(72,202)	(2,492)	(1,748)
FOREIGN CURRENCY FORWARDS			
Buy foreign currency (cash flow hedges under hedge accounting)	46,348	-	-
Buy foreign currency (at fair value through profit or loss)	15,639	-	-

Foreign currency forwards

Foreign currency forwards	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2021						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	153,544	Jan 2021 - April 2022	1:1	0.11322	584
31.12.2020						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	395,472	April 2021 - November 2021	1:1	0.11728	4,366
Foreign exchange contracts (at fair value through profit or loss)	NOK	133,443	January 2021 - March 2021	1:1	0.11737	1,360

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

USD thousands	2021	2020
Net currency gain / (loss) included in finance costs	1,184	(2,830)

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 thousands	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	(4,439)	(8,848)	(2,421)	(4,826)	2,960	5,899
Current receivables	5,396	3,187	2,943	1,738	(3,597)	(2,125)
Current liabilities	(620)	(249)	(338)	(136)	413	166
Net effect on profit before tax	**337**	**(5,910)**	**184**	**(3,224)**	**(225)**	**3,940**
Effect on Other comprehensive income	(11,917)	(8,012)	(6,500)	(4,370)	10,945	5,341
Net effect on total comprehensive income / equity	**(11,580)**	**(13,922)**	**(6,316)**	**(7,594)**	**10,720**	**9,281**

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. Apart from the fixed interest Eksportfinansiering Norge tranche of the Deepsea Aberdeen facility, the Group's borrowings have floating USD LIBOR based 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 13 interest rate swap agreements at 31 December 2021. 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 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 2021 is approximately 55%.

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 for 2021 was 4.2% (4.7% for 2020), 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 31.12.2021 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	248,026	2023	1:1	1.4392%	(2,420)
Cash flow hedges under hedge accounting	62,500	2024	1:1	1.4371%	(597)
At fair value through profit or loss	200,000	2025	1:1	0.4475%	4,963

As of 31.12.2020 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
At fair value through profit or loss	26,000	2021	1:1	1.8530%	(238)
Cash flow hedges under hedge accounting	282,237	2023	1:1	1.4392%	(8,216)
Cash flow hedges under hedge accounting	72,500	2024	1:1	1.4371%	(2,329)
At fair value through profit or loss	200,000	2025	1:1	0.4350%	(590)

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 thousands	31.12.2021	% of total loans	31.12.2020	% of total loans
Variable rate borrowings - USD LIBOR	472,369	45%	557,326	46%
FIXED RATE BORROWINGS - REPRICING OR MATURITY DATES:				
Less than 1 year	-	0%	106,000	9%
1-5 years	570,526	55%	554,737	46%
Later than 5 years	-	0%	-	0%
Total contractual amounts*	1,042,896	100%	1,218,063	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 USD 4 million for the next 12 months as at 31 December 2021, compared to USD 5 million at 31 December 2020.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

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.

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 LIBOR interest rate on which the group's hedged debt is based does not change 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 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. 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 36 on the relevant exercise date (i.e. 31 May in 2019, 2020, 2021, 2022, 2023 and 2024 respectively), being NOK 43.20 for tranche 1, NOK 51.84 for tranche 2, NOK 62.21 for tranche 3, NOK 74.65 for tranche 4, NOK 89.58 for tranche 5 and NOK 107.50 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 36 and NOK 107.50.

No warrants have been exercised in 2020 or 2021.

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 2021
- Share price: NOK 20.20
- Volatility of share price: 39.45%
- Risk-free interest rate: 1.49%
- USD/NOK exchange rate: 8.8194
- Dividend yield: zero
- No tranches have been exercised

Based on the valuation, fair value of the warrant liability is estimated to be NOK 8 million / USD 0.95 million as at 31 December 2021 (NOK 45 million / USD 5.25 million as at 31 December 2020).

The positive change in fair value in 2021 of USD 4.3 million (positive change of USD 3.9 million in 2020) was recognised as part of Other financial items.

Note 26 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 three core business areas: Mobile offshore drilling units; (MODU), Drilling & Technology and Well Services (OWS). 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 2021, 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 155 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 2021 or 31 December 2020 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.

Included in the Trade receivables as at 31 December 2020 and 31 December 2021 the Group has an outstanding amount of USD 4.6 million towards customers in Iran. The Group's activities in Iran ceased prior to reinforcement of US sanctions early November 2018. No payments have been received after this date, due to no current efficient bank channels out of Iran. The Iranian customers are working on improving the liquidity situation and finding appropriate payment routes. The Group's Iranian customers have previously demonstrated that they prioritise supplier payments, and although delayed, they have historically paid their outstanding.

An impairment loss of USD 0.5 million have been accrued for these Trade receivables as at 31 December 2021.

The ageing of the trade receivables - 31.12.2021

USD thousands	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	130,909	-	130,909
0 to 3 months	0.0%	17,464	-	17,464
3 to 6 months	0.0%	1,015	-	1,015
Over 6 months	21.4%	6,564	(1,406)	5,158
Total		**155,953**	**(1,406)**	**154,547**

Contract assets - 2021

USD thousands	Expected loss rate	Gross amount 31.12.2021	Loss allowance 31.12.2021	Net amount 31.12.2021
Not due	0.0%	10,221	-	10,221

The ageing of the trade receivables - 31.12.2020

USD thousands	Expected loss rate	Gross amount 31.12.2020	Loss allowance 31.12.2020	Net amount 31.12.2020
Not due	0.0%	96,805	(3)	96,802
0 to 3 months	0.2%	54,688	(113)	54,575
3 to 6 months	5.8%	3,068	(178)	2,890
Over 6 months	9.9%	8,461	(839)	7,622
Total		**163,021**	**(1,132)**	**161,889**

Contract assets - 2020

USD thousands	Expected loss rate	Gross amount 31.12.2020	Loss allowance 31.12.2020	Net amount 31.12.2020
Not due	0.0%	9,898	-	9,898

Movements in loss allowance / the provision for impairment of trade receivables and contract assets are as follows:

USD thousands	Trade receivables 2021	Trade receivables 2020	Contract assets 2021	Contract assets 2020
Loss allowance as at 1 January	1,132	1,005	-	-
Utilised	(74)	(218)	-	-
Released provision	(267)	(213)	-	-
New provisions	654	502	-	-
Translation differences	(40)	56	-	-
Loss allowance as at 31 December	**1,406**	**1,132**	-	-

USD thousands	2021	2020
Net gain (loss) related to trade receivables	(389)	279

The impairment losses recognised are related to receivables arising from the Group's contracts with customers.

Note 27 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**

Authorised, not issued shares was 47, 093,673 as at 31 December 2021. There are no changes in issued shares or preference shares in 2021. All issued shares are fully paid. No shares are held by entities in the Group.

Largest common shareholders at 31 December 2021	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,847,791	60.33%
J.P.Morgan Securities PLC	Nominee	8,930,601	3.77%
The Bank of New York Mellon SA/NV	Nominee	7,451,851	3.15%
UBS AG London Branch	Ordinary	5,133,589	2.17%
BNP Paribas Securities Services	Nominee	3,890,397	1.64%
Brown Brothers Harriman & Co.	Nominee	3,848,024	1.63%
J.P.Morgan Securities PLC	Nominee	3,139,495	1.33%
State Street Bank and Trust Co.	Nominee	2,469,256	1.04%
State Street Bank and Trust Co.	Nominee	2,167,690	0.92%
Citibank N.A.	Nominee	2,072,126	0.88%
Brown Brothers Harriman & Co.	Nominee	1,988,000	0.84%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,742,518	0.74%
Nordea Bank Abp	Nominee	1,200,000	0.51%
The Bank of New York Mellon SA/NV	Nominee	1,148,614	0.49%
Goldman Sachs International Equity	Ordinary	1,106,572	0.47%
Nordnet Livsforsikring AS	Ordinary	1,082,120	0.46%
Ulsmo Finans AS	Ordinary	905,463	0.38%
Goldman Sachs International	Nominee	814,450	0.34%
Brown Brothers Harriman & Co.	Nominee	789,256	0.33%
Total 20 largest common shareholders		**194,564,813**	**82.17%**
Other common shareholders		42,218,389	17.83%
Total common shareholders		**236,783,202**	**100.00%**

Common shares

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

The preference shares are issued to an affiliate of Akastor ASA. 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.

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 2021

The Group paid cash dividends of USD 2.1 million in June 2021 (USD 0.131 per share) and USD 2.2 million (USD 0.137 per share) in December 2021, a total of USD 4.3 million in 2021 to the holders of the preference shares.

Preferred payment in kind dividend - 2021

At 30 June 2021 and at 31 December 2021 preferred payment in kind dividend in a total of USD 4.3 million was capitalised, increasing the accrued preference capital balance to USD 89.5 million.

For information about warrants, refer to Note 25.

Note 28 Other reserves

USD thousands	Note	Cash flow hedges	Translation differences	Share-Option plan	Acquisition non-controlling interests	Total
At 1 January 2020		1,124	(75,488)	816	(34,496)	(108,045)
Change in fair value of hedging instruments recognised in OCI	25	(9,285)	-	-	-	(9,285)
Reclassified from OCI to profit or loss	25	1,982	-	-	-	1,982
Currency translation difference		-	4,785	-	-	4,785
Cost of share-based option plan	37	-	-	529	-	529
At 31 December 2020		(6,179)	(70,703)	1,345	(34,496)	(110,034)
Change in fair value of hedging instruments recognised in OCI	25	3,652	-	-	-	3,652
Reclassified from OCI to profit or loss	25	237	-	-	-	237
Currency translation difference		-	(3,839)	-	-	(3,839)
Cost of share-based option plan	37	-	-	528	-	528
At 31 December 2021		(2,291)	(74,542)	1,873	(34,496)	(109,456)

Note 29 Securities and mortgages

Liabilities secured by mortgage

USD thousands	31.12.2021	31.12.2020
Non current liabilities - contractual amounts	886,685	706,853
Current liabilities	161,058	517,219
Total	1,047,743	

Carrying amount of mortgaged assets:

USD thousands	31.12.2021	31.12.2020
Property, plant and equipment	2,108,856	2,203,387
Receivables and contract assets	192,772	195,622
Bank deposits	173,031	206,895
Total	2,474,659	2,605,904

Odfjell Invest Ltd. – USD 425 million Facility

(USD 312.5 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., Odfjell Drilling South Africa 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 South Africa 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 185 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. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 253.2 million.

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, Deep Sea Drilling Company AS and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents. The guarantee from Odfjell Offshore Ltd is due to be released upon certain conditions being fulfilled.

Odfjell Drilling Services Ltd. – USD 150 million facility

(USD 150 million outstanding)

A senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 and amended and restated to a USD 150 million facility on 30 June 2021 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders.

As security for the loan, Odfjell Drilling Ltd., Odfjell Well Services II Ltd., Odfjell Partners Invest Ltd., Odfjell Drilling AS, Odfjell Platform Drilling AS, Odfjell Drilling Technology AS, Odfjell Well Services AS, Odfjell Global Business Services AS and Odfjell Well Services Norway AS have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents. Further, substantially all of the assets of Odfjell Drilling Services Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the borrower's shares in Odfjell Partners Invest Ltd., Odfjell Drilling Technology AS and Odfjell Platform Drilling AS, the shares owned by Odfjell Partners Invest Ltd., in Odfjell Well Services Norway AS, Odfjell Well Services AS, Odfjell Well Services Ltd., and Odfjell Well Services II Ltd. In addition, Odfjell Drilling Ltd., has pledged 100 per cent of the shares in Odfjell Drilling Services Ltd., Odfjell Rig Owning Ltd., Odfjell Global Business Services AS and Odfjell Offshore Ltd., and Odfjell Rig Owning Ltd has pledged all its shares in Odfjell Drilling AS.

The loan is also secured with first priority assignments by Odfjell Drilling Services Ltd., and the guarantors (as listed above) of inter-company claims exceeding a certain threshold or term, as well as all accounts receivables, book debts, other debts, financial obligations or other amounts of other kind (including interest) owing, or which with the passage of time would become owing to the borrower and the guarantors. The loan is also secured by first priority floating charges over the assets of Odfjell Drilling Services Ltd and the guarantors (except for Odfjell Drilling Ltd.) to the extent legally obtainable.

Odfjell Rig V Ltd. – USD 325 million Facility

(USD 248 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 48 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.

Note 30 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.

A Group subsidiary is subject to challenges by HM Revenue and Customs ("HMRC") on the historical application of National Insurance Contributions ("NICs") to workers in the UK Continental Shelf. 1 October 2021, a decision was issued by HMRC against Odfjell Drilling (UK) Ltd ("OD UK") in respect of the historic application of NICs. OD UK has appealed against the decision and no payment has been made to HMRC pending the outcome of the first level appeal. A final verdict is not expected in the short to medium term. Management, taking into consideration advice from independent legal and tax specialists, believes that the most probable outcome is that no outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The potential exposure to OD UK in relation to NICs and interest should it be unsuccessful in defending its position is approximately USD 30 million.

There are no other material contingencies to be disclosed as at 31 December 2021.

Note 31 Commitments

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

USD thousands	31.12.2021	31.12.2020
Rig investments	10,586	31,644
Rental and casing equipment, due in 1 year	22,241	2,811
Total	32,827	34,456

Note 32 Events after the reporting period

The following material events have occurred after balance date:

Spin off of Odfjell Technology in 2022

On 31 January 2022 Odfjell Drilling Ltd announced it was contemplating spinning off its Well Services and Energy segments (the "Spin Off") into a newly established company, Odfjell Technology Ltd. ("OTL" or “Odfjell Technology”), and list the shares in OTL on the Oslo Stock Exchange (the “Listing”).

The Spin Off consists of the group’s current Well Services and Energy segments, as well as the ownership in Odfjell Oceanwind. The Spin Off will also provide business support services, mainly to companies in the Odfjell Drilling Group.

Prior to executing the Spin Off, an internal re-organisation was carried out and the relevant Well Services and Energy companies became subsidiaries of OTL.

On 4 February 2022 Odfjell Technology successfully priced NOK 1.1 bn in senior secured bonds through a private placement. The bonds mature in February 2026 and bear interest of 3 months Nibor plus 700 basis points. The net proceeds from the bond issue, together with a new USD 25 million super senior revolving credit facility at 3 months Libor + 375 basis points, were used to carry out the internal re-organisation and to repay the Odfjell Drilling Services USD 150 million credit facility 1 March 2022.

The shares in Odfjell Technology were distributed to the shareholders of 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. The shares in OTL were admitted for trading on the Oslo Stock Exchange 29 March 2022. There was no public offering of shares in Odfjell Technology in connection with the Listing.

As at 31 December 2021, the criteria for classifying the Spin Off as held for distribution to owners were not met. However, the criteria were met 4 February 2022 and the Spin Off businesses will be considered as discontinued operations in Odfjell Drilling's financial reporting going forward. The fair value of the net assets distributed to the shareholders was USD 120 million, compared to a book value of USD 52 million. A gain from distribution of discontiued operations of USD 68 million will be recognised in Q1 2022.

Aker BP extended work for Deepsea Nordkapp

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

Equinor extended work for Deepsea Stavanger

On 21 March 2022, Equinor exercised further work for the Deepsea Stavanger under the continued optionality mechanism provided for in the contract entered into by the parties in May 2021. The Deepsea Stavanger now has six remaining wells to drill which are expected to occupy the rig into late Q4 2022. Equinor has the opportunity to exercise further wells under the continued optionality mechanism. The day rate is similar to the current contract and a notable performance incentive rate shall apply when wells are delivered safely and ahead of target. Integrated services are provided through the contract and compensated separately.

Equinor extends platform drilling contracts on Johan Sverdrup and Heidrun

On 16 February 2022, Equinor exercised a 2 year option on the platform drilling contracts for Heidrun and Johan Sverdrup Drilling Platform. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance on the installations. The contract period is now firm until Q4 2024. This option is the first of three options of two years each.

Management services for West Linus

On 21 February 2022, Odfjell Drilling agreed with SFL to provide management services for the harsh environment jack-up drilling rig West Linus. The agreement is based on terms and conditions customary for this type of agreements. The rig is employed on a long-term drilling contract with ConocoPhillips Scandinavia AS in the North Sea until the fourth quarter of 2028. Odfjell Drilling will take over as manager of the rig as soon as regulatory approvals such as change of duty holder under the Acknowledgement of Compliance is approved by Norwegian authorities. Odfjell Drilling expects this to be in place no later than 1 October 2022.

The situation in Ukraine

The Group does not expect to be materially affected as it has no direct businesses in Ukraine, Russia or Belarus. Any potential spill-over effects are not expected to be adverse.

There have been no other events after the balance date with material effect for the financial statements ended 31 December 2021.

Note 33 Subsidiaries

Material subsidiaries

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership 2021	Ownership 2020	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 II Ltd.	Bermuda	United Arab Emirates	USD	-	100	Rig owning - Dissolved in 2021
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 / Drilling operations
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 / dormant
Deep Sea Drilling Company I AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Drilling South Africa Ltd.	Scotland	South Africa	USD	100	100	Drilling operations / dormant
Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
Odfjell Drilling Services Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Platform Drilling AS	Norway	Norway	NOK	100	100	Drilling operation and maintenance of fixed installations
Odfjell Drilling Management AS	Norway	Norway	NOK	100	100	
Odfjell Drilling (UK) Ltd.	Scotland	UK	GBP	100	100	
Odfjell Partners Invest Ltd.	Bermuda	United Arab Emirates / UK	USD	100	100	Holding company / Well services equipment owner
Odfjell Well Services II Ltd.	Bermuda	Kurdistan / UK	USD	100	100	Well services
Odfjell Services (Thailand) FLC	Thailand	Thailand	THB	100	100	Well services
Odfjell Well Services Cooperatief U.A.	Netherlands	Europe	EUR	100	100	Well services
Odfjell Well Services SRL	Romania	Europe	RON	100	100	Well services
Odfjell Well Service (UK) Ltd.	Scotland	UK	GBP	100	100	Well services
Odfjell Well Services Norway AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services Ltd.	British Virgin Islands	United Arab Emirates / UK	USD	100	100	Well services
Odfjell Drilling Technology AS	Norway	Norway	NOK	100	100	Engineering
Odfjell Oceanwind AS *	Norway	Norway	NOK	15	28	Offshore wind turbines
Odfjell Global Business Services AS	Norway	Norway	NOK	100	100	Group Business Services
Odfjell Drilling Philippines Corporation	Philippines	Philippines	PHP	100	100	Group Business Services
Odfjell Offshore Ltd.	Bermuda	Norway	USD	100	100	Holding company
Odfjell Technology Ltd.	Bermuda	UK	USD	100	n/a	Holding company - No activity

** Due to capital contributions from other investors in end April 2021, the Group's financial interest was reduced, and the investment is from May 2021 accounted for using the equity method.*

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	Ownership 2021	Ownership 2020	Principal activities
Deep Sea Drilling Company II KS	Norway	Norway	NOK	100	100	No activity
Odfjell Arabia Drilling Services LLC	Saudi Arabia	Saudi Arabia	SAR	100	100	No activity
Odfjell Rig World Services Ltd.	Ghana	Africa	USD	-	49	No activity
Odfjell Energy Crewing AS	Norway	Norway	NOK	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 Well Services 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	-	No activity

Note 34 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

Company	Acquisition/ formation date	Registered office	Principal place of business	Voting and owning interest 31.12.2021	Voting and owning interest 31.12.2020
Odfjell Oceanwind AS	2020	Oslo, Norway	Bergen, Norway	15.2%	28.1%*

** Fully consolidated in the Group Financial Statements from 30 September 2020 until end April 2021*

	2021
Book value as at 1.1.	-
Investments *	841
Share of profit after tax	(540)
Translation differences	(46)
Disposals **	230
Book value as at 31.12	**486**

** Due to capital contributions from other investors in end April 2021, the Group's financial interest was reduced from about 28 % to about 18%, and is accounted for using the equity method from May 2021.*

*** Due to capital contributions from other investors in 2021, the Group's financial interest has been reduced to about 15% as at 31 December 2021.*

Odfjell Oceanwind AS does not have observable market values in form of market price or similar.

Description of the business in Odfjell Oceanwind AS

Odfjell Oceanwind develops, owns and will operate a fleet of floating Mobile Offshore Wind Units (MOWUs) with the primary purpose of supplying electricity to "off-grid" or "micro-grid" consumers.

The table below shows the condensed financial information of Odfjell Oceanwind AS, based on 100%, recalculated to USD.

	2021
Total revenue	528
Total operating expenses	(4,434)
Net financial items	(17)
Net profit/(loss)	(3,922)
Current assets	643
-whereof cash and cash equivalents	326
Current liabilities	493
-whereof current financial liabilities	-
Non-current liabilities	-
Equity	150

	2021
The company's share of equity	18
Goodwill	468
Book value as at 31.12	**486**

Note 35 Related parties - transactions, receivables, liabilities and commitments

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.33% of the common shares. Chair of the Board, Helene Odfjell, controls Odfjell Partners Ltd.

Susanne Munch Thore (Resigned Director) controls 3,000 (0.00%) of the common shares in the company as per 31 December 2021.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 December 2021.

Simen Lieungh (CEO in Odfjell Drilling AS during 2021, and Director from 29 March 2022) controls 104,590 (0.04%) of the common shares in the company as per 31 December 2021.

See Note 37 - Share-based payments for information about the long term incentive share option programme with Simen Lieungh, CEO in Odfjell Drilling AS during 2021.

The Group have lease agreements with the related party Odfjell Land AS (previously called Kokstad Holding AS), a company related to the main shareholder. Reported lease liability to Odfjell Land AS as at 31 December 2021 is USD 39 million (USD 37 million as at 31 December 2020), while payments in 2021 amounts to USD 6.0 million (USD 5.6 million in 2020).

The Group have revenue from sales of personnel services to related party Odfjell Oceanwind AS, (refer to note 34 - Joint venture), of USD 1.4 million in 2021. Further, the Group have property rental income of USD 0.8 million in 2021 (USD 0.8 million in 2020) to Kokstadflaten Utleie AS, a company related to the main shareholder.

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 36 - Remuneration to the Board of Directors, key executive management and Group auditor.

Note 36 Remuneration to the Board of Directors, key executive management and auditor

Details of salary, variable pay and other benefits provided to Group management in 2021:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	640	1,686	15	52	2,393
Atle Sæbø	CFO to 1 September 2021- Odfjell Drilling AS	227	174	23	17	442
Jone Torstensen	CFO from 1 September 2021- Odfjell Drilling AS	87	-	5	15	106
Diane Stephen	General Manager - Odfjell Drilling Ltd.	199	37	11	12	259
Total		1,153	1,897	54	96	3,200

Details of salary, variable pay and other benefits provided to Group management in 2020:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	586	477	13	48	1,125
Atle Sæbø	CFO - Odfjell Drilling AS	293	207	21	24	545
Bjarte Mossefinn	General Manager - Odfjell Drilling Ltd.	270	90	-	8	368
Total		1,149	774	34	81	2,038

For details regarding incentive share option programme with the CEO of Odfjell Drilling AS, refer to Note 37 - Share-based payments

Fees to Board of non executive directors:

USD thousands	2021	2020
Helene Odfjell	87	74
Susanne Munch Thore	55	53
Alasdair Shiach	49	40
Thomas Marsoner	44	37
Total remuneration to Board of non-executive directors	236	204

Fees to the Group's auditor

USD thousands	2021	2020
Audit (incl. technical assistance with financial statements)	431	570
Other assurance services	17	3
Tax advisory fee (incl. technical assistance with tax returns)	-	-
Fees for other services	138	24
Total remuneration to the Group's auditor	586	597

At a general meeting 21 September 2021, KPMG was appointed as auditors of the Company, replacing PwC.

In addition to fees to the Group's auditor listed in the table above, audit fees paid to other auditors for statutory audits of subsidiaries amount to USD 45 thousands in 2021 (USD 48 thousands in 2020). All listed fees are net of VAT

Note 37 Share-based payments

Accounting principle

The company have a long term equity settled incentive share option programme with Simen Lieungh, 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, granting him options to purchase 960,000 common shares. On 19 November 2018 the subscription price in the programme was amended to NOK 26.65 per share. The options can only be exercised in three tranches of 320,000 options each, with vesting periods of two, three and four years. The options may be exercised during the subsequent year. Any options not exercised in the first two tranches can be rolled forward to the next tranches. Any options not exercised within 16 May 2023 will be terminated.

Overview of outstanding options:

Overview of outstanding options:	2021	2020
Outstanding options 1.1	960,000	960,000
Options granted	-	-
Options forfeited	-	-
Options exercised	-	-
Options expired	-	-
Outstanding options 31.12	**960,000**	**960,000**
Of which exercisable	640,000	320,000

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted (including amendment) in 2018 is NOK 17.61. The total cost of the share option plan and the amendment to the share option plan is calculated based on the fair value x options granted. The total cost equals approximately USD 2 million and is recognised over the period until May 2022.

The calculations are based on the following assumptions:

- The share price on the grant dates were set to the stock exchange price on the grant dates (16 May 2018 and 19 November 2018).
- The strike price per option was NOK 36 for the 16 May 2018 grant and NOK 26.65 for the 19 November amendment.
- The expected price volatility of the company's shares was set to 40% based on historical volatility adjusted for expected changes.
- The expiry date was set to 16 May 2023.
- The expected dividend yield was set to 0%.
- The risk-free interest rate was set to 1.899% for the 16 May 2018 grant and 1.911% for the 19 November 2018 adjustment.

Note 38 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 5,925,000 common shares, see further description in Note 25 - Market risk, and has in addition a share option plan for 960,000 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 2020 or 2021, as the terms of execution have not occurred during the years and the share price is below level set in the warrant agreement.

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

USD thousands	2021	2020
Profit/(loss) due to owners of the parent	74,383	143,304
Adjustment for dividends on preference shares	(8,629)	(8,213)
Profit/(loss) for the period due to holders of common shares	**65,754**	**135,091**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**65,754**	**135,091**

	2021	2020
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**

	2021	2020
BASIC EARNINGS PER SHARE	**0.278**	**0.571**
Diluted earnings per share	0.278	0.571

Parent Company Financial Statements

Income Statement

for the year ended 31 December

USD thousands	Note	2021	2020
OPERATING REVENUES	3	83	71
Personnel expenses	4	(1,340)	(1,361)
Other operating expenses	5	(1,330)	(904)
TOTAL OPERATING EXPENSES		(2,670)	(2,265)
Operating profit / (loss) - EBIT		**(2,587)**	**(2,194)**
Interest income	3,6	9,781	13,538
Dividends from subsidiaries	3	-	7,565
Interest expenses	3,6	(12,272)	(15,649)
Reversal of impairment of investments in subsidiaries	7	-	3,300
Other financial items	6	7,324	7,228
Net financial items		**4,834**	**15,983**
Profit / (loss) before tax		**2,247**	**13,789**
Income tax (expense) / income	14	-	-
Profit / (loss) for the period		**2,247**	**13,789**
Of which attributable to common shareholders		(6,382)	5,576
Of which attributable to preference shareholders		8,629	8,213
EARNINGS PER SHARE (USD)			
Basic earnings per share	15	(0.03)	0.02
Diluted earnings per share	15	(0.03)	0.02

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2021	2020
Profit / (loss) for the period		2,247	13,789
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		**2,247**	**13,789**
Total comprehensive income for the period is attributable to:			
Common shareholders		(6,382)	5,576
Preference shareholders		8,629	8,213

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

Statement of Financial Position

USD thousands	Note	31.12.2021	31.12.2020
ASSETS			
Investments in subsidiaries	7	1,109,471	1,109,471
Non-current receivables subsidiaries	3	220,410	273,158
Total non-current assets		**1,329,880**	**1,382,629**
Other current assets		1	12
Cash and cash equivalents	9	826	2,350
Total current assets		**827**	**2,362**
TOTAL ASSETS		1,330,708	1,384,991
EQUITY AND LIABILITIES			
Share capital	11	2,529	2,529
Other contributed capital		562,430	562,430
Other reserves		1,873	1,345
Retained earnings		477,875	479,942
Total equity		**1,044,707**	**1,046,246**

USD thousands	Note	31.12.2021	31.12.2020
Non-current liabilities subsidiaries	3	273,217	332,540
Warrant liabilities	10	950	5,250
Total non-current liabilities		**274,167**	**337,790**
Other current liabilities		386	207
Current interest-bearing liabilities subsidiaries	3	11,338	-
Other current liabilities subsidiaries	3	35	628
Trade payables		74	119
Total current liabilities		**11,834**	**955**
TOTAL LIABILITIES		286,001	338,745
TOTAL EQUITY AND LIABILITIES		1,330,708	1,384,991

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

The Board of Odfjell Drilling Ltd.
25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Thomas Marsoner	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 2020		2,529	562,430	816	470,260	**1,036,034**	954,917	81,118	**1,036,034**
Profit/(loss) for the period		-	-	-	13,789	**13,789**	5,576	8,213	**13,789**
Other comprehensive income for the period		-	-	-	-	**-**	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**13,789**	**13,789**	**5,576**	**8,213**	**13,789**
Cash dividend to preference shareholders		-	-	-	(4,107)	**(4,107)**	-	(4,107)	**(4,107)**
Cost of share-based option plan	4	-	-	529		**529**	529	-	**529**
Transactions with owners		**-**	**-**	**529**	**(4,107)**	**(3,577)**	**529**	**(4,107)**	**(3,577)**
BALANCE AT 31 DECEMBER 2020		**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	4	-	-	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**

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

Statement of Cash Flow

for the year ended 31 December

USD thousands	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		2,247	13,789
Adjustments for:			
Cost of Share-option plan		528	529
Net interest expense / (income)		2,490	2,110
Change in fair value warrant liabilities	10	(4,300)	(3,861)
Impairment / reversal of impairment of investments in subsidiaries	7	-	(3,300)
Net currency loss / (gain) not related to operating activities		(26)	523
Income from subsidiaries	3	-	(7,565)
Other provisions and adjustments for non-cash items		(727)	(925)
Changes in working capital:			
Trade payables		(45)	22
Other accruals and current receivables / payables		(403)	14
Cash generated from operations		(235)	1,336
Net interest received / (paid)		0	28
Net cash flow from operating activities		(235)	1,364

USD thousands	Note	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Received dividend from subsidiaries		-	7,565
Proceeds from non-current receivables subsidiaries	3	38,000	11,000
Net cash flow from investing activities		38,000	18,565
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on borrowing facilities from subsidiaries	3	(35,000)	(23,298)
Dividends paid to preference shareholders		(4,314)	(4,107)
Net cash from financing activities		(39,314)	(27,405)
Exchange gains/(losses) on cash and cash equivalents		26	(523)
Net change in cash and cash equivalents		(1,524)	(7,998)
Cash and cash equivalents at 01.01		2,350	10,348
CASH AND CASH EQUIVALENTS AT 31.12		826	2,350

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

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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 exceptions:

Investments in subsidiaries

Investments in subsidiaries are based on the cost method. Refer to Note 7 - 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.

- Warrant liabilities measured at fair value (Note 10 - Warrant Liabilities)

Going concern

Refer to Consolidated Financial Statements Note 4 - 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 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2021	2020
Management fee	Odfjell Drilling Services Ltd.	Subsidiary	21	19
Management fee	Odfjell Rig Owning Ltd.	Subsidiary	21	13
Management fee	Odfjell Invest Ltd.	Subsidiary	21	19
Management fee	Odfjell Rig III Ltd.	Subsidiary	21	19
Dividends	Odfjell Global Business Services AS	Subsidiary	-	7,565
Interest income non-current loan	Odfjell Rig Owning Ltd.	Subsidiary	9,781	13,510
Guarantee provision	Odfjell Drilling Services Ltd.	Subsidiary	727	881
Guarantee provision	Odfjell Invest Ltd.	Subsidiary	928	1,440
Guarantee provision	Odfjell Rig II Ltd.	Subsidiary	-	44
Guarantee provision	Odfjell Rig III Ltd.	Subsidiary	535	648
Guarantee provision	Odfjell Rig V Ltd.	Subsidiary	823	894
Total			12,878	25,054

Related parties expenses

Type of transaction	Related party	Relation	2021	2020
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	11,678	15,005
Interest on long term loan	Odfjell Offshore Ltd.	Subsidiary	593	644
Service fee	Odfjell Global Business Services AS	Subsidiary	12	10
Service fee	Odfjell Drilling AS	Subsidiary	116	104
Other services	Odfjell Drilling (UK) Ltd	Subsidiary	145	154
Total			12,544	15,917

Non-current receivables- related parties

Subsidiary	Interest conditions	Maturity date	Receivables 2021	Receivables 2020	Interests 2021
Odfjell Rig Owning Ltd.	3 mnt LIBOR + 3.5% margin	09.05.2024	220,410	273,158	9,781
Total non-current			**220,410**	**273,158**	**9,781**

Movements in non-current receivables subsidiaries are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	273,158	270,604
CASH FLOWS:		
Payments received from subsidiaries	(38,000)	(11,000)
NON-CASH FLOWS:		
Reclassified from current receivables	-	44
Offsetting agreement *	(24,530)	-
Interest accrued	9,781	13,510
Carrying amount as at 31 December	**220,410**	**273,158**

** Offsett 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. The loan agreement was transferred from Odfjell Offshore Ltd to Odfjell Rig Owning Ltd., as part of the contribution 21 December 2015. The loan agreement was extended by an amendment in February 2015 to long-term conditions. In December 2017 a supplemental agreement was made to increase the total commitment by an additional USD 50 million to a total commitment of USD 550 million. At 11 December 2018 there was a resolution to convert USD 235 million of the long term loan as contribution to the surplus capital of the Odfjell Rig Owning Ltd.

At 23 December 2019, the loan agreement was amended, extending the maturity date from 9 May 2020 to 9 May 2024, and changing the interest from a fixed interest rate of 6.95% to an interest rate of 3 months USD LIBOR with a margin of 3.5% per annum.

Refer to Note 7 - Investments in subsidiaries for impairment indicator assessment as at 31 December 2021.

Non-current liabilities- related parties

Loans from subsidiaries:	Interest conditions	Maturity date	Liabilities 2021	Liabilities 2020	Interests 2021
Odfjell Offshore Ltd.	3 mnt LIBOR + 5.16% margin	28.08.2022	11,338	10,745	593
Odfjell Drilling Services Ltd.	3 mnt LIBOR + 3.5% margin	09.11.2023	273,217	321,796	11,678
Total loans from subsidiaries			**284,555**	**332,540**	**12,272**
Classified as current liabilities			*11,338*	*-*	
Classified as non-current liabilities			*273,217*	*332,540*	

Movements in non-current liabilities subsidiaries are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	332,540	341,071
CASH FLOWS:		
Repayment of loan	(35,000)	(23,298)
NON-CASH FLOWS:		
Offsetting agreement *	(24,530)	-
Reclassified to current liabilities /from current receivables	(12,065)	(881)
Interest cost accrued	12,272	15,649
Carrying amount as at 31 December	273,217	332,540

** Offsett agreement between the company and the subsidiaries Odfjell Drilling Service Ltd and Odfjell Rig Owning Ltd*

The company entered into a loan agreement with Odfjell Offshore Ltd., a subsidiary to the company, in August 2017. The maximum aggregated loan amount is USD 8.5 million plus any interest added to the principal. The loan shall be repaid in full at maturity date at the latest. Interest conditions: 3 month LIBOR + 5.16 % margin. Maturity date 28.08.2022. Carrying amount as at 31.12.2020 is USD 10.7 million.

The loan agreement with Odfjell Drilling Services Ltd., was extended by an amendment in November 2018. The new due date was set to 9 November 2023, and the margin of the loan is 3.5% starting from 9 November 2018. The maximum aggregated loan amount for the borrowing facility with Odfjell Drilling Services Ltd., a subsidiary to the company, is USD 450 million. Interest conditions: 3 month LIBOR + 3.5% margin. Maturity date 09.11.2023. Carrying amount as at 31.12.2020 is USD 321.8 million.

Current receivables and liabilities - related parties

USD thousands	Type	Receivables 2021	Liabilities 2021	Receivables 2020	Liabilities 2020
Odfjell Offshore Ltd.	Loan	-	11,338	-	-
Odfjell Drilling AS	Trade	-	23	-	18
Odfjell Global Business Services AS	Trade	-	-	-	12
Odfjell Drilling (UK) Ltd	Trade	-	12	-	-
Odfjell Drilling (UK) Ltd	VAT	-	-	-	570
Odfjell Well Service (UK) Ltd	VAT	-	-	-	50
Odfjell Drilling Shetland Ltd	VAT	-	-	-	5
Odfjell Partners Invest Ltd.	VAT	-	-	-	3
Total current *		-	11,373	-	658

** The current receivables and liabilities have less than one year maturity.*

Note 4 Personnel expenses

USD thousands	2021	2020
WAGE COST		
Salaries	437	498
Payroll tax	80	88
Pension costs	21	6
Employee benefits	35	22
MANAGEMENT COMPENSATION:		
Board of directors fee	239	218
Cost of Share-option plan	528	529
Total personnel expenses	1,340	1,36

The company had three employees at 31 December 2021 and(two at 31 December 2020.)

For details of salary, variable pay and other benefits provided to the General Manager and compensation to the Board of Directors, refer to Note 36 - Remuneration to the Board of Directors, key executive management and Group auditor in the Group Financial Statements.

Refer to Note 37 - 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 5 Operating expenses

USD thousands	Note	2021	2020
FEE TO THE AUDITOR (EXCLUDING VAT):			
Auditors fee		164	150
Other services from auditor		138	-
OTHER OPERATING EXPENSES:			
Service fee	3	127	115
Facility services	3	145	154
Fees legal and financial assistance		690	408
Travel expenses		-	26
Other expenses		65	51
Total operating expenses		1,330	904

Note 6 Financial income and expenses

USD thousands	Note	2021	2020
Interest income from subsidiaries	3	9,781	13,510
Other interest income		0	28
Total interest income		9,781	13,538

USD thousands	Note	2021	2020
Interest expenses borrowings from subsidiaries	3	(12,272)	(15,649)
Other interest expenses		0	-
Total interest expenses		(12,272)	(15,649)

USD thousands	Note	2021	2020
Guarantee commissions	3	3,014	3,908
Change in fair value of the warrant liability	10	4,300	3,861
Net currency gain / (loss)		11	(541)
Total other financial items		7,324	7,228

Note 7 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) 2021	Equity as at 31.12.2021	Book value of investment as at 31.12.2021
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	3,278	163,890	175,450
Odfjell Offshore Ltd.	2011	Hamilton, Bermuda	Bergen, Norway	100%	100%	USD	1,000,000	6,633	134,104	127,405
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	(6,865)	693,297	806,121
Odfjell Global Business Services AS	2017	Bergen, Norway	Bergen, Norway	100%	100%	NOK	30,371	969	8,793	494
Odfjell Technology Ltd.	2021	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	0	10	0
									TOTAL	1,109,471

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.

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.

Odfjell Drilling has not identified any impairment indicators for the investments as at 31.12.2021.

Book value of investment in Odfjell Drilling Services Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup.

Book value of investment in Odfjell Rig Owning Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup.

No impairment of assets in the subsidiaries have been identified. No material off balance sheet liabilities have been identified in the subsidiaries, other than contingency listed in Note 30 - Contingencies in the consolidated financial statements and the tax issue described in Note 9 - Income taxes in the consolidated financial statements.

Based on last year's impairment assessment, USD 3.3 million of previously booked impairment of investment in Odfjell Offshore Ltd., was reversed in 2020.

Note 8 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 in 2021 related to the warrant agreements, nor to the modelling technique used to calculate fair value. 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	31.12.2021	31.12.2020
OTHER FINANCIAL ASSETS				
- Non-current receivables subsidiaries	3		220,410	273,158
- Other current assets			1	0
- Cash and cash equivalents	9		826	2,350
Total assets as at 31.12			221,237	275,509

USD thousands	Note	Level	31.12.2021	31.12.2020
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Warrant liabilities - Other non-current liabilities	10	3	950	5,250
OTHER FINANCIAL LIABILITIES				
- Non-current liabilities subsidiaries	3		273,217	332,540
- Other current liabilities			386	207
- Current interest-bearing liabilities subsidiaries	3		11,338	-
- Current liabilities subsidiaries	3		35	628
- Trade payables			74	119
Total liabilities as at 31.12.			286,001	338,745

Note 9 Cash and cash equivalents

USD thousands	31.12.2021	31.12.2020
Current account NOK	66	2
Current account USD	591	1,321
Current account GBP	170	1,027
Total cash and bank deposits	**826**	**2,350**

None of the bank deposits are restricted.

Note 10 Warrant Liabilities

Refer to Note 25 Market risk in the Group Financial Statements.

Note 11 Share capital and shareholders

Refer to Note 27 - Share capital and shareholder information in the Group Financial Statements.

Note 12 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 150 million senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 and amended and restated to a USD 150 million facility on 30 June 2021 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders. The liability of Odfjell Drilling Ltd as guarantor hereunder shall be limited to USD 180 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 loan was repaid in full 1 March 2022.
- 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.

Other securities

Refer to Note 29 - 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 guarantees regarding Odfjell Drilling Management AS' platform drilling service contracts for Johan Sverdrup with Equinor and Brage with Wintershall, and Odfjell Driling (UK) Ltd's platform drilling service contracts for Mariner with Equinor UK.

The company has also issued parent company guarantees regarding subsidiaries' platform drilling service and drilling equipment contracts with ConocoPhillips Skandinavia AS.

Odfjell Drilling Ltd., has issued parent company guarantee related to Odfjell Drilling AS' property rental contract with Odfjell Land AS Group, as well as a payment guarantee regarding Deep Sea Drilling Company AS' hedging agreements with DNB Bank ASA limited to USD 10 million.

Parent company guarantees in relation to the subsidiaries' loan agreements:

USD thousands	31.12.2021	31.12.2020
Loan agreement in Odfjell Drilling Services Ltd.	180,898	241,303
Loan agreement in Odfjell Invest Ltd., senior facility	440,052	490,065
Loan agreement in Odfjell Invest Ltd., junior facility	130,000	130,000
Loan agreement in Odfjell Rig III Ltd.	253,200	344,393
Loan agreement in Odfjell Rig V Ltd.	347,227	381,755
Total guarantee liabilities	1,351,376	1,587,516

Book value of assets pledged as security

USD thousands	31.12.2021	31.12.2020
Shares in Odfjell Offshore Ltd.	127,405	127,405
Shares in Odfjell Rig Owning Ltd.	806,121	806,121
Shares in Odfjell Drilling Services Ltd.	175,450	175,450
Shares in Odfjell Global Business Services AS	494	494
Intra-group receivables (Odfjell Drilling group)	220,410	273,158
Bank deposits	826	2,350
Total book value of assets pledged as security	1,330,707	1,384,979

Note 13 Financial Risk Management

Refer to Note 23 - 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 - 31.12.2021

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

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 12.

Maturity of financial liabilities - 31.12.2020

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	6,407	6,407	12,815	355,350	-	380,980	332,540
Other current liabilities	207	-	-	-	-	207	207
Current liabilities subsidiaries	628	-	-	-	-	628	628
Trade payables	119	-	-	-	-	119	119

Foreign exchange risk

Foreign exchange risk - Exposure

Refer to Note 9 - Cash and cash equivalents for bank balances in other currencies than USD. The company does not have any other material balances in foreign currencies.

Foreign exchange risk - Sensitivity

The company is to a limited extent exposed to changes in USD/GBP exchange rates. If USD is strengthened by 10% against GBP, the reduction Cash and cash equivalents of USD 0.01 million will reduce net profit before taxes. If USD is weakened by 10% against GBP, the increase Cash and cash equivalents of USD 0.01 million will increase net profit before taxes.

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 3 - 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 2.2 million, while interest expenses would increase by USD 2.8 million, resulting in a net decrease of profit before taxes of USD 0.6 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 3 - Related parties - transactions, receivables and liabilities. Furthermore, the Company has issued financial guarantees to subsidiaries as listed in Note 12 - 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 14 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 2020, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2021.

Income tax reconciliation

USD thousands	2021	2020
Profit / (loss) before tax	2,247	13,789
Tax calculated at domestic tax rate - 19%	(427)	(2,620)
Effect of non-taxable income and expenses	(100)	3,013
Effect of group relief	527	(393)
Total income tax expense	-	-

Note 15 Earnings per share

USD thousands	2021	2020
Profit/(loss) for the period	2,247	13,789
Adjustment for dividends on preference shares	(8,629)	(8,213)
Profit/(loss) for the period due to holders of common shares	**(6,382)**	**5,576**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**(6,382)**	**5,576**

Refer to Note 38 - Earnings per share in the Group Financial Statements for accounting policy and further description

	2021	2020
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**

	2021	2020
Basic earnings per share	(0.03)	0.02
Diluted earnings per share	(0.03)	0.02

Note 16 Events after the reporting period

Spin off of Odfjell Technology in 2022

On 31 January 2022 the Company announced that it is contemplating spinning off its Well Services and Energy segments (the "Spin Off") into the subsidiary Odfjell Technology Ltd. ("OTL"), and to list the shares in OTL on the Oslo Stock Exchange (the "Listing").

Prior to executing the Spin Off, an internal re-organisation was carried out. The Company contributed its shares in Odfjell Global Business Services AS and Odfjell Offshore Ltd. to OTL.

28 March 2022, the shares in OTL was distributed to the shareholders in the Company. The ratio for the distribution was 6:1, i.e. that 6 shares in the Company gave the holder 1 share in OTL rounded downwards to the closest whole share in OTL. The fair value of the distributed shares was USD 120 million, while the book value of the investment was USD 123 million.

Also refer to Note 32 - Events after the reporting period in the Group Financial Statements.

Letter of indemnity

The Company has on 1 March 2022 issued a letter of indemnity to OTL, to hold OTL indemnified in respect of any liability that may incur in relation to the ongoing Odfjell Offshore Ltd tax enquiries. This include financing of any (pre-)payments to the Norwegian Tax Authorities, and funds for any legal proceedings. Refer to note 9 in the Group Financial Statements for further information about the Odfjell Offshore Ltd tax enquiries.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2021 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.

25 April 2022, Aberdeen, United Kingdom

Simen Lieungh	Helene Odfjell	Thomas Marsoner	Harald Thorstein	Diane Stephen
Chair	Director	Director	Director	General Manager

Auditors Report

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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 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2021, 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 2021, 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 financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 laws and regulations 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 1 year 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.

1. *Contingent liability - HMRC National Insurance decision*

Reference is made to Note 4 Critical accounting estimates and judgements, note 30 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*
A UK subsidiary of the Group is subject to challenge from HM Revenue and Customs (HMRC) relating to its historical employment practices, particularly the application of secondary (employer) National Insurance Contributions (NIC) in respect of workers on the UK Continental Shelf (UKCS). A decision notice was issued by HMRC in 2021, informing of their conclusion that the Group is liable for an amount of approximately $30 million (£23 million). The Group have filed an appeal. Management and directors have determined that no provision should be recognised in respect of this claim as at 31 December 2021 as they believe that it is more likely than not that the final outcome will not result in a liability against the Group. On this basis the Group have disclosed the matter as a contingent liability. Judgement is required to assess whether the matter, at this stage, satisfies the recognition criteria for a provision, or should continue to be disclosed as a contingent liability.	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 case • Engaging a KPMG taxation specialist familiar with the relevant National Insurance legislation 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 and other tax advisors engaged by the Group to understand and challenge the Group's current position • Communicating with the Group's external counsel to assess the status of and any developments in the enquiry being conducted • Evaluating the adequacy of the financial statement disclosures, including an estimate of the potential financial effect of the contingent liability.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. 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.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. 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 legal requirements.

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 or 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 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.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 529900M08ZU24JXMPB85-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

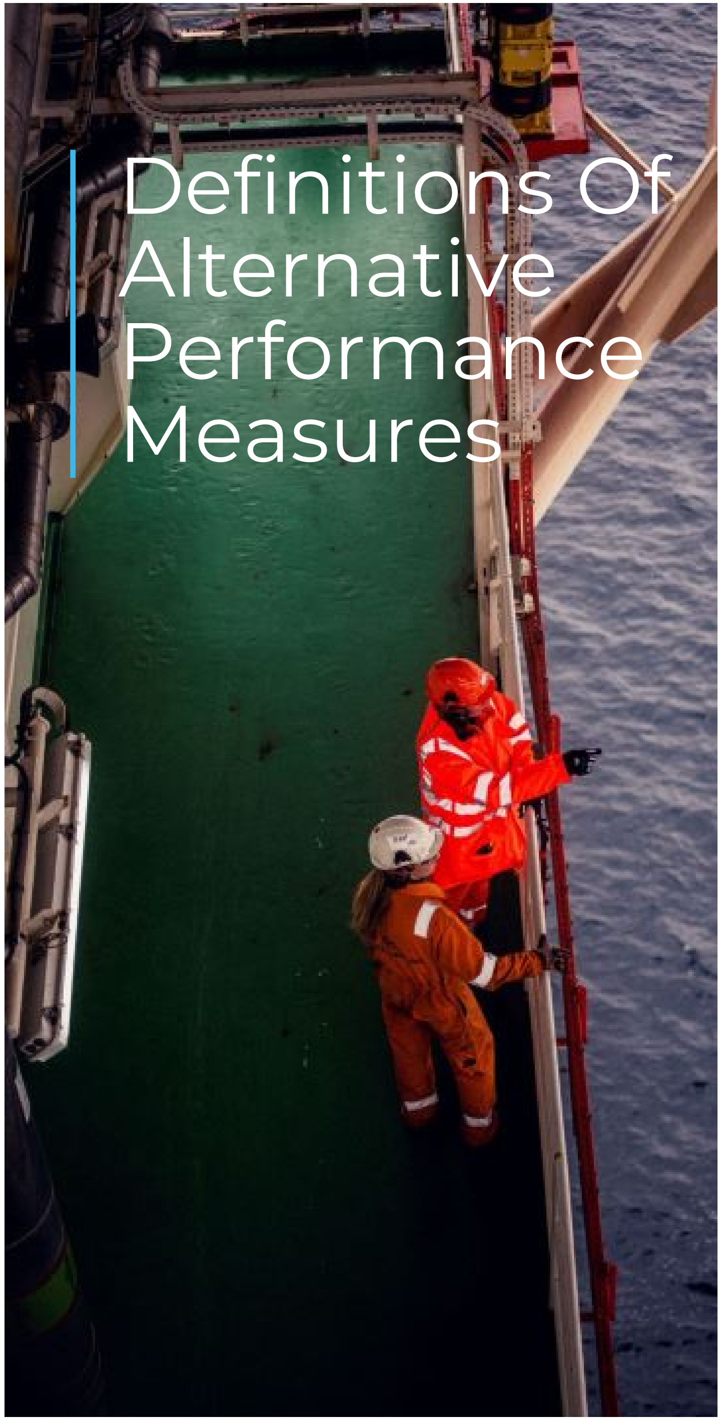
Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format 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.

Bergen, 25 April 2022
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 MODU and Drilling Operations measured in USD - subject to variations in currency exchange rates.

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 (ADJ)

		2021	
Non-current interest-bearing borrowings	USD	875	million
Current interest-bearing borrowings	USD	161	million
Non-current lease liabilities	USD	38	million
Current lease liabilities	USD	8	million
Adjustment for real estate lease liabilities	USD	(46)	million
A Adjusted financial indebtedness	USD	1,036	MILLION
Cash and cash equivalents	USD	173	million
Adjustment for restricted cash and other cash not ready available	USD	(26)	million
B Adjusted cash and cash equivalents	USD	147	MILLION
A-B=C Adjusted Net interest-bearing debt	USD	889	MILLION
EBITDA	USD	304	million
Adjustment for effects of real estate leases	USD	(9)	million
D Adjusted EBITDA	USD	295	MILLION
C/D=E Leverage ratio (Adj)		3.0	

For more information visit

www.odfjelldrilling.com

and

www.odfjelltechnology.com

ODFJELL DRILLING

Design & Production: POMELO-PARADIGM

Annual accounts 2022

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

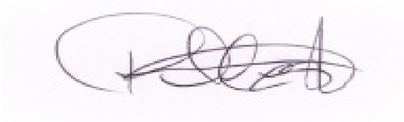
USD million	Note	31.12.2022	31.12.2021
ASSETS			
Property, plant and equipment	10	1,937.9	2,108.9
Intangible assets	11	3.4	28.5
Deferred tax asset	9	0.4	1.3
Investments in joint ventures and associates	32	-	0.5
Derivative financial instruments	13,24	7.5	5.0
Other non-current assets	12	-	2.7
Total non-current 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

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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

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

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.

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			Lease liability	Lease liability	Payments	Payments
Related party	Relation	Type of asset	31.12.2022	31.12.2021	2022	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

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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			2022	2022	2021	2021
Type of transaction	Related party	Relation	Receivables	Liabilities	Receivables	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

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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

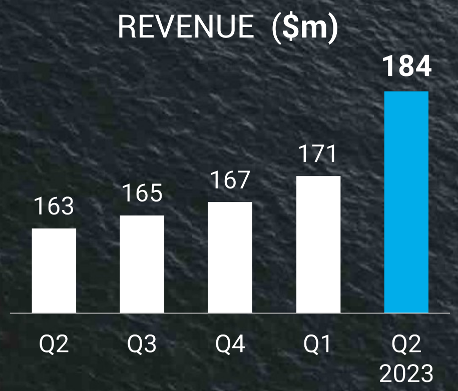
Design & Production: POMELO-PARADIGM

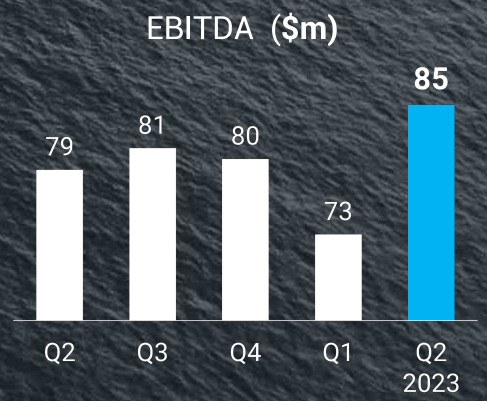
H1 2023

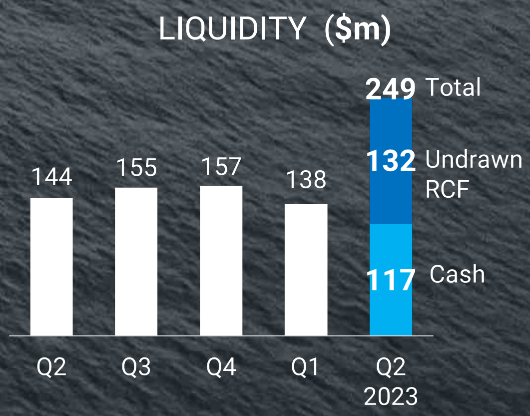
Q2 2023 Results

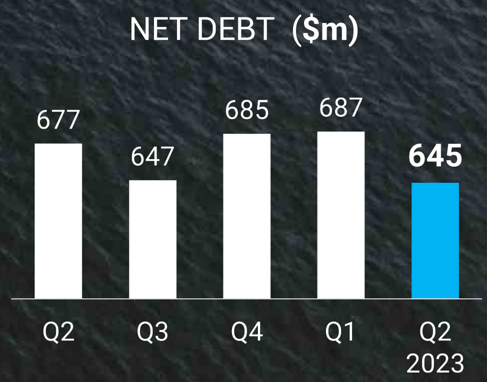
23 August 2023

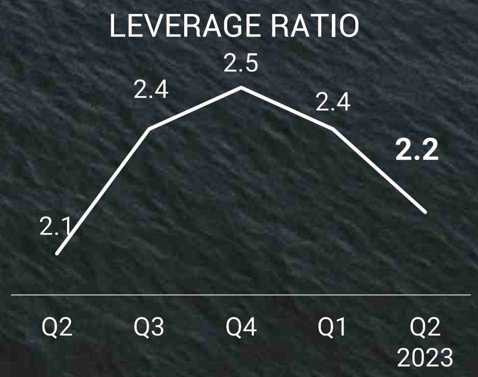
Q2 Key Financials











Q2 Highlights

Quarterly dividend programme implemented with distribution of USD 14.2 million for Q2 2023, to be paid during September 2023.

- The Board has updated its dividend policy to implement a new quarterly dividend programme and has elected to declare a dividend for the Period of USD 14.2 million
- The Company has the ambition to increase distributions in the medium-term with increasing revenue generation and reduced capex

Successfully completed refinancing, positioning the Company for the future and increasing available liquidity.

- Diversified capital sources and removed any significant maturities until 2028:
  - Raised USD 390 million via significantly oversubscribed rated bond
  - Amended and extended USD 197 million Deepsea Nordkapp facility
  - Secured USD 125 million term loan on Deepsea Stavanger (expected to be utilised in Q3 2023 to prepay USD 95 million direct loan)
  - Secured USD 175 million Revolving Credit Facility (“RCF”) whereof USD 43 million has been utilised
- Together with undrawn facilities and cash, the Company now has USD 249 million in available cash

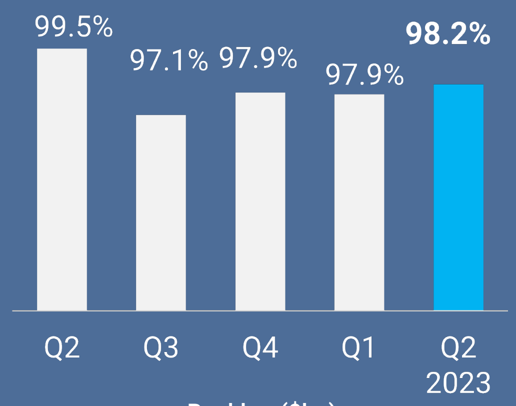
Increased revenue and EBITDA generation during the quarter, reaching highest levels since Odfjell Technology spin-off; resulting in a 12% revenue increase and 7% EBITDA increase from H1 2022.

- Revenue of USD 184 million during Q2, resulting in H1 2023 revenue of USD 355 million
  - 12% increase on H1 2022 (USD 318 million)
- EBITDA of USD 85 million during Q2, resulting in H1 2023 EBITDA of USD158 million
  - 7% increase on H1 2022 (USD 147 million)

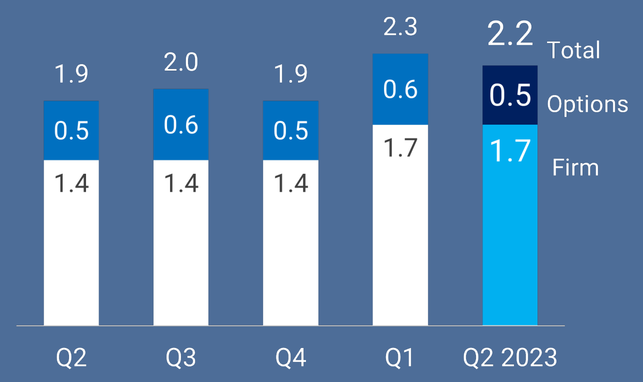
98.2% Own fleet utilisation during the period, with increased activity from managed fleet.

- Continued high uptime across own fleet, with all own fleet units operating in Norway at increasing dayrates
- All managed units now on contract, with the Deepsea Bollsta and Deepsea Yantai drilling throughout the period and the Deepsea Mira beginning drilling towards the end of the period
- Hercules was mobilised to Canada during the period, with drilling beginning post-period

Financial Utilisation



Backlog ($bn)



Quarterly Dividend Details

Quarterly dividend totalling USD 14.2 million

- 0.06 USD / share
- Ex-Dividend date: 1 September
- Record Date: 4 September
- Payment Date: 13 September

Updated Dividend Policy

- The Company's ambition is to provide shareholders with a competitive return on their shares through a combination of share price appreciation and a direct return in the form of dividends.
- The Company will, in the first phase of the dividend programme, target a quarterly dividend level that can be sustained every quarter, with the ambition to grow distributions (measured as USD per share) in the medium-term; reflecting increasing underlying earnings and reduced capex commitments. The Company may also consider a buy back of shares as part of total distribution of capital to its shareholders.
- The Company will maintain a disciplined capital allocation approach with shareholder distributions always being at the board's discretion and subject to market outlook, contract backlog, cash flow generation, capital expenditure plans and funding requirements, whilst maintaining financial flexibility.
- Dividends will be declared in USD. Actual NOK payment per share will be determined based on the exchange rate at record date.
- The Board of Directors will consider the value of the dividend quarterly and revisit the dividend policy annually.

Key figures for the Group

All figures in USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Operating revenue	184	163	355	318	650
EBITDA	85	79	158	147	308
EBIT	40	36	67	64	137
Net profit	11	22	13	42	83
EBITDA margin	46%	48%	45%	46%	47%
Total assets			2,140	2,267	2,219
Net interest bearing debt			645	677	685
Equity			1,210	1,260	1,208
Equity ratio			57%	56%	54%

Key Activities Completed

The second quarter of 2023, together with first quarter of the year, has been focused on completing several key workstreams which facilitate the long term growth strategy of the Company. One of the most important objectives for the Company has been re-financing its debt facilities in a manner which would extend any significant liabilities but which would also allow the Company to distribute capital to its shareholders. During the period, the Company updated shareholders on its strategy to achieve this and successfully secured a USD 390 million secured bond as well as bank facilities of USD 497 million, which included an RCF facility of USD 175 million.

The Company is pleased by the terms secured via the re-financing, which allows the Company to distribute returns to its shareholders as well as giving increased liquidity and flexibility in its growth strategy.

Another key workstream has been to secure forward backlog for the owned and managed fleet. Following the successful award of over USD 290 million of firm backlog for the Deepsea Atlantic at the end of Q1 2023, the Company secured new work for its other owned units. In early May, the Company secured additional work for the Deepsea Aberdeen which will add 174 days of firm backlog, extending the rigs firm backlog to Q2 2025. In addition, following the exercise of options, the Deepsea Stavanger will now continue to work with Equinor until at least Q2 2024.

In addition to its owned fleet, the Company managed to secure new contracts for its managed units. In early May, the Company secured a contract for the Hercules to work offshore Namibia with a subsidiary of Galp Energia until Q2 2024, following completion of its current contract with ExxonMobil in Canada.

Further, Shell Plc elected to exercise options for the Deepsea Bollsta to continue to work offshore Namibia until June 2024 and the Company also secured contracts which will result in the Deepsea Yantai continuing to work offshore Norway, first for DNO before beginning a contract with ConocoPhillips.

Operationally, the Company maintained its strong record, drilling across the globe during the period and achieving a financial utilisation of 98.2% for its owned fleet. The Company's managed fleet had three units on contract, with the Deepsea Mira beginning operations offshore Namibia towards the end of the period. The Company's continued ramp up in operations across its owned and managed fleet has led to a Q2 revenue of USD 184 million and EBITDA of USD 85 million, the highest quarterly revenue and EBITDA generation since the Company's spin-off of Odfjell Technology.

During Q2, the Company continued its focus on capital discipline, resulting in available liquidity of USD 249 million, whilst also continuing to invest for the future. The Company paid further milestones on a new blowout preventer ("BOP") for the Deepsea Atlantic during Q2. As previously announced, the new BOP will allow the rig to drill with increased safety at increased depths. The Company also pre-purchased parts for the upcoming special periodic survey ("SPS") for the Deepsea Nordkapp.

Finally, in keeping with its focus on sustainability and corporate governance, the Company has invested in new green technologies and received USD 13 million from the Norwegian NOx fund during Q2. Also during the period, the Company signed a new Modern Slavery Statement for 2022 as well as the Human Rights Accounts of Due Diligence.

Outlook

Market Outlook

Throughout most of the period, we continued to see strong commodity prices resulting in continued demand for our services both in Norway and increasingly across the globe.

In our core market of Norway, we note that in a relatively short time period, we have seen six harsh environment semi submersibles departing Norway for long term overseas contracts. The Company considers that the likelihood of these vessels returning to Norway in the near-term is unlikely, given the potential mobilisation costs and the operational efficiencies of remaining in a basin. Operators have recognised this trend and we have received several request for information from clients who are keen to secure rigs. We do expect some capacity in Norway to be filled with lower-spec rigs as operators begin to rationalise the requirements for some of their less technically challenging developments.

Further abroad, we continue to see strong demand in locations such as Namibia, Canada, Australia and Brazil. This is evidenced by recent contract awards for our managed units. We continue to watch developments in West Africa with interest, where, if exploration projects are successful, we expect to see significant requirement for tier-1 semi-submersibles.

The lack of supply for rig capacity, particularly from 2024 has continued to result in increased dayrates globally and we expect this trend to continue.

Company Outlook

The Company remains optimistic about its near and long term outlook, particularly with its refinancing now completed and with all of our own fleet with secured firm contracts for the foreseeable future.

This quarter has resulted in increased revenue and EBITDA generation based on contracts with dayrates that were agreed during the COVID-19 pandemic. We expect to continue to generate strong revenues as our owned fleet transition onto higher dayrates and as the rest of our managed fleet begins their drilling programs.

Looking ahead to the short term, the Company looks forward to paying our Q2 quarterly dividend, securing additional backlog for our owned fleet and maintaining our high financial utilisation to drive further additional revenues.

Segments

Own Fleet

All figures in USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Operating revenue	145	145	279	284	567
EBITDA	83	79	153	148	304
EBIT	39	37	64	67	137
EBITDA margin	57%	54%	55%	52%	54%

(Comparable figures for last comparable period in brackets)

Q2 2023

Operating revenue for the Own Fleet segment in Q2 2023 was USD 145 million (USD 145 million).

EBITDA for the Own Fleet segment in Q2 2023 was USD 83 million (USD 79 million), driven by improved EBITDA for Deepsea Stavanger (USD 2 million), Deepsea Atlantic (USD 1 million) and Deepsea Aberdeen (USD 1 million), mainly due to higher margin revenue (bonus vs add on sales).

YTD 2023

Operating revenue for the Own Fleet segment YTD 2023 was USD 279 million (USD 284 million). The main driver for the decrease is negative variance for Deepsea Nordkapp of USD 6 million, driven by a lower daily rate from Aker BP after the market adjustment set in Q1 2021 took effect in June 2022. Also, Deepsea Aberdeen was USD 2 million due to 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 3 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 YTD 2023 was USD 153 million (USD 148 million), driven by improved EBITDA for Deepsea Stavanger (USD 6 million) and Deepsea Atlantic (USD 3 million), but offset by reduced EBITDA for Deepsea Aberdeen (USD 2 million) and Deepsea Nordkapp (USD 3 million).

Own Fleet - Financial Utilisation

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

	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Deepsea Stavanger	98.5 %	98.7 %	97.1 %	97.5 %	96.9 %
Deepsea Atlantic	99.4 %	98.6 %	98.8 %	97.9 %	97.7 %
Deepsea Aberdeen	95.7 %	99.5 %	96.8 %	98.7 %	98.7 %
Deepsea Nordkapp	99.3 %	99.4 %	99.4 %	99.4 %	99.2 %

- Deepsea Stavanger, Deepsea Atlantic and Deepsea Aberdeen have been operating for Equinor on the NCS during 2023. The lower utilisation on Deepsea Aberdeen in Q2 23 is due to maintenance on the BOP during June 2023.
- Deepsea Nordkapp has been operating for Aker BP on the NCS during 2023.

External Fleet

All figures in USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Operating revenue	38	17	74	32	78
EBITDA	5	2	10	4	11
EBIT	5	2	10	4	11
EBITDA margin	14%	13%	14%	11%	14%

(Comparable figures for last comparable period in brackets)

Q2 2023

Operating revenue for the External Fleet in Q2 2023 was USD 38 million (USD 17 million). The main driver for the increase is increased scope including added offshore personnel and other OPEX related to Deepsea Mira, Deepsea Bollsta and Hercules, which increases the gross revenue in the management company.

EBITDA for the External Fleet in Q2 2023 was USD 5 million (USD 2 million). The main driver is higher management fee for Deepsea Bollsta due to the start of operation and added management fee for Deepsea Mira during reactivation.

YTD 2023

Operating revenue for the External Fleet YTD 2023 was USD 74 million (USD 32 million). The main driver for the increase is increased scope including added offshore personnel and other OPEX related to Deepsea Mira, Deepsea Bollsta which increases the gross revenue in the management company. In addition, Hercules was included with full management scope from December 2022.

EBITDA for the External Fleet YTD 2023 was USD 10 million (USD 4 million). The main driver is higher management fee for Deepsea Bollsta due to the start of operations and added management fee for Deepsea Mira during reactivation.

Consolidated group financials

(Comparable figures for same period in prior year in brackets)

Profit Q2 2023

Operating revenue for Q2 2023 was USD 184 million (USD 163 million), an increase of USD 21 million, due to increased activity in the External Fleet segment.

EBITDA in Q2 2023 was USD 85 million (USD 79 million), an increase of USD 6 million. The EBITDA margin in Q2 2023 was 46% (48%).

Depreciation and amortisation cost in Q2 2023 was USD 46 million (USD 43 million), an increase of USD 3 million.

Net financial expenses in Q2 2023 amounted to USD 27 million (USD 13 million), an increase of USD 14 million. Interest expenses have increased by USD 5 million mainly due to increased floating interest rates. There is a negative change of USD 5 million in net currency loss compared to 2022. The Group has also recognised a modification loss and has expensed remaining non-amortised financing fees related to the prepaid facilities.

Net profit from continuing operations in Q2 2023 was USD 11 million (USD 22 million).

Cash flow Q2 2023

Net cash flow from continuing operating activities in Q2 2023 was USD 66 million (USD 58 million). The Group paid net interest of USD 15 million (USD 11 million).

Net cash outflow from investing activities in Q2 2023 was USD 8 million (USD 6 million). USD 21 million was paid for purchases of fixed assets, while USD 13 million was received from the Norwegian NOx fund.

Net cash outflow from financing activities in Q2 2023 was USD 73 million (USD 54 million). The Group had net proceeds of USD 415 million from the issuance of a bond and new revolving credit facility: see further description in Note 7. The Group repaid a total of USD 448 million to settle old facilities and a seller's credit, and paid USD 40 million in ordinary instalments on credit facilities and leases.

Balance sheet

Total assets as at 30 June 2023 amounted to USD 2,140 million (USD 2,219 million as at 31 December 2022), a decrease of USD 79 million.

Total equity as at 30 June 2023 amounted to USD 1,210 million (USD 1,208 million as at 31 December 2022), an increase of USD 2 million.

Net interest bearing debt as at 30 June 2023 amounted to USD 645 million (USD 685 million as at 31 December 2022), a decrease of USD 40 million.

At 30 June 2023, cash amounted to USD 117 million.

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.

Odfjell Drilling has strong backlog and a robust balance sheet with low leverage.

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)	1.5	0.7
Total recordable incident frequency (as per 1 million working hours)	3.7	4.8
Sick leave (percentage)	4.9	5.1
Dropped objects frequency (as per 1 million working hours)	3.1	4.8

London, United Kingdom

22 August 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	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
CONTINUING OPERATIONS						
Operating revenue	2,3	**183.8**	**163.1**	**354.7**	**317.9**	**649.5**
Other gains and losses		-	-	-	-	0.0
Personnel expenses		(64.0)	(50.6)	(127.7)	(104.3)	(206.5)
Other operating expenses		(34.5)	(33.6)	(68.8)	(66.7)	(135.0)
EBITDA		**85.3**	**78.9**	**158.2**	**146.9**	**308.0**
Depreciation and amortisation	5,6	(45.5)	(42.7)	(90.7)	(83.3)	(171.5)
Operating profit (EBIT)		**39.8**	**36.2**	**67.5**	**63.5**	**136.5**
Net financial items	4	(26.8)	(12.8)	(50.5)	(18.3)	(48.3)
Profit before taxes		**13.0**	**23.4**	**17.0**	**45.2**	**88.3**
Income taxes		(1.6)	(1.5)	(3.6)	(2.8)	(5.4)
Net profit from continuing operations		**11.4**	**21.9**	**13.4**	**42.5**	**82.9**
Profit from discontinued operations		-	-	-	46.7	46.7
Profit (loss)		**11.4**	**21.9**	**13.4**	**89.2**	**129.6**
Profit (loss) attributable to:						
Owners of the parent		11.4	21.9	13.4	89.2	129.6
EARNINGS PER SHARE (USD)						
Basic earnings per share	13	0.05	0.08	0.06	0.36	0.51
Diluted earnings per share	13	0.05	0.08	0.06	0.36	0.51
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (USD)						
Basic earnings per share	13	0.05	0.08	0.06	0.16	0.32
Diluted earnings per share	13	0.05	0.08	0.06	0.16	0.32

Condensed Consolidated Statement of Comprehensive Income

USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
PROFIT (LOSS)	**11.4**	**21.9**	**13.4**	**89.2**	**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	(3.0)	2.8	(4.8)	9.5	10.0
Currency translation differences	(4.1)	(7.8)	(7.0)	(11.3)	(8.9)
Reclassification of foreign currency translation reserve	-	-	-	27.0	27.0
Other comprehensive income, net of tax	**(7.1)**	**(5.0)**	**(11.8)**	**25.2**	**28.0**
Total comprehensive income	**4.3**	**16.9**	**1.6**	**114.4**	**157.6**
Total comprehensive income attributable to:					
Owners of the parent	4.3	16.9	1.6	114.4	157.6

Condensed Consolidated Statement of Financial Position

USD million	Note	30.06.2023	30.06.2022	31.12.2022
ASSETS				
Property, plant and equipment	5	1,875.5	1,987.2	1,937.9
Intangible assets	6	2.9	3.3	3.4
Deferred tax asset		0.8	0.2	0.4
Non-current receivable	11	28.5	-	-
Other non-current assets	9	-	7.0	7.5
Total non-current assets		**1,907.7**	**1,997.7**	**1,949.2**
Trade receivables		94.3	96.2	91.0
Contract assets		7.9	8.9	8.6
Other current assets	9	12.6	20.0	13.3
Cash and cash equivalents		117.2	143.9	157.2
Total current assets		**232.0**	**268.9**	**270.1**
TOTAL ASSETS		**2,139.7**	**2,266.7**	**2,219.3**

USD million	Note	30.06.2023	30.06.2022	31.12.2022
EQUITY AND LIABILITIES				
Paid-in capital	12	370.2	445.2	370.2
Other equity		840.1	815.1	838.3
Total equity		**1,210.2**	**1,260.3**	**1,208.5**
Non-current interest-bearing borrowings	7	634.2	681.1	529.0
Non-current lease liabilities	8	34.9	44.1	41.7
Other non-current liabilities	9	1.4	3.1	3.4
Total non-current liabilities		**670.4**	**728.4**	**574.1**
Current interest-bearing borrowings	7	128.4	140.0	313.5
Current lease liabilities	8	26.0	25.1	26.5
Contract liabilities		7.0	24.1	13.7
Trade payables		31.1	35.8	35.8
Other current liabilities	9	66.6	53.0	47.2
Total current liabilities		**259.1**	**278.0**	**436.7**
Total liabilities		**929.5**	**1,006.4**	**1,010.8**
TOTAL EQUITY AND LIABILITIES		**2,139.7**	**2,266.7**	**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	-	89.2	89.2	84.8	4.4	89.2
Other comprehensive income for the period	-	25.2	25.2	25.2	-	25.2
Total comprehensive income for the period	**-**	**114.4**	**114.4**	**109.9**	**4.4**	**114.4**
Distribution of shares in Odfjell Technology Ltd. to common shareholders	(119.8)	-	(119.8)	(119.8)	-	(119.8)
Dividend to preference shareholders	-	(2.2)	(2.2)	-	(2.2)	(2.2)
Cost of share-based option plan	-	0.2	0.2	0.2	-	0.2
Settlement of share-based option plan	-	(0.5)	(0.5)	(0.5)	-	(0.5)
Transactions with owners	**(119.8)**	**(2.5)**	**(122.3)**	**(120.1)**	**(2.2)**	**(122.3)**
Balance at 30 June 2022	**445.2**	**815.1**	**1,260.3**	**1,168.5**	**91.8**	**1,260.3**
Total comprehensive income for the period Q3-Q4	-	43.2	43.2	39.4	3.8	43.2
Transactions with owners for the period Q3-Q4	(75.0)	(20.0)	(95.0)	0.5	(95.6)	(95.0)
Balance at 31 December 2022	**370.2**	**838.3**	**1,208.5**	**1,208.5**	**-**	**1,208.5**
Profit/(loss) for the period	-	13.4	13.4	13.4	-	13.4
Other comprehensive income for the period	-	(11.8)	(11.8)	(11.8)	-	(11.8)
Total comprehensive income for the period	**-**	**1.6**	**1.6**	**1.6**	**-**	**1.6**
Cost of share-based option plan	-	0.2	0.2	0.2	-	0.2
Transactions with owners	**-**	**0.2**	**0.2**	**0.2**	**-**	**0.2**
Balance at 30 June 2023	**370.2**	**840.1**	**1,210.2**	**1,210.2**	**-**	**1,210.2**

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 from continuing operations		13.0	23.4	17.0	45.2	88.3
Profit before tax from discontinued operations		-	-	-	10.3	10.3
Adjustment for interest, provisions and non-cash elements		65.5	55.2	133.0	119.6	232.7
Changes in working capital		7.8	(9.8)	7.3	(18.8)	(8.9)
Cash generated from operations		**86.3**	**68.8**	**157.3**	**156.4**	**322.4**
Net interest paid		(15.1)	(11.1)	(29.6)	(22.3)	(45.0)
Net income tax paid		(5.7)	0.0	(5.7)	(0.9)	(2.1)
Net cash flow from operating activities		**65.5**	**57.8**	**121.9**	**133.2**	**275.2**
-of which from continuing operations		65.5	57.8	121.9	121.0	263.0
Cash flows from investing activities:						
Purchase of property, plant and equipment	5,6	(20.7)	(6.3)	(34.6)	(29.4)	(66.6)
Proceeds from grants		12.7	-	12.7	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		**(8.0)**	**(6.3)**	**(52.6)**	**(73.8)**	**(111.0)**
-of which from continuing operations		(8.0)	(6.3)	(21.9)	(14.8)	(52.0)
Cash flows from financing activities:						
Proceeds from borrowings	7	414.9	-	414.9	146.5	241.5
Repayment of borrowings	7	(482.1)	(47.1)	(501.7)	(218.1)	(317.1)
Repayment of lease liabilities	8	(5.4)	(4.4)	(10.9)	(7.7)	(18.6)
Payment acquisition of treasury preference shares		-	-	-	-	(75.2)
Dividends paid to preference shareholders		-	(2.2)	-	(2.2)	(2.2)
Net cash flow from financing activities		**(72.7)**	**(53.7)**	**(97.7)**	**(81.5)**	**(171.6)**
-of which from continuing operations		(72.7)	(53.7)	(97.7)	(227.4)	(317.5)
Effects of exchange rate changes on cash and cash equivalents		(5.9)	(7.7)	(11.5)	(7.0)	(8.5)
Net increase (decrease) in cash and cash equivalents		**(21.1)**	**(9.9)**	**(39.9)**	**(29.1)**	**(15.9)**
Cash and cash equivalents at beginning of period		138.3	153.9	157.2	173.0	173.0
Cash and cash equivalents at period end		**117.2**	**143.9**	**117.2**	**143.9**	**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 22 August 2023 and have not been audited.

Basis for preparation

These condensed interim financial statements for the six months period ended 30 June 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 reporting 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	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
External segment revenue	145.1	145.1	38.0	16.8	0.7	1.3	183.8	163.1
Inter segment revenue	-	-	-	-	-	-	-	-
Total revenue	**145.1**	**145.1**	**38.0**	**16.8**	**0.7**	**1.3**	**183.8**	**163.1**
EBITDA	**83.2**	**78.6**	**5.3**	**2.1**	**(3.2)**	**(1.8)**	**85.3**	**78.9**
Depreciation and amortisation	(44.7)	(41.6)	-	-	(0.8)	(1.1)	(45.5)	(42.7)
EBIT	**38.5**	**36.9**	**5.3**	**2.1**	**(4.0)**	**(2.9)**	**39.8**	**36.2**
Net financial items							(26.8)	(12.8)
PROFIT BEFORE TAX - CONSOLIDATED GROUP							**13.0**	**23.4**

	Own Fleet			External Fleet			Corporate / other			Consolidated		
USD million	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22
External segment revenue	279.0	284.3	567.3	74.1	31.8	78.0	1.6	1.8	4.3	354.7	317.9	649.5
Inter segment revenue	-	-	-	-		-	-	-	-	-	-	-
Total revenue	**279.0**	**284.3**	**567.3**	**74.1**	**31.8**	**78.0**	**1.6**	**1.8**	**4.3**	**354.7**	**317.9**	**649.5**
EBITDA	**152.8**	**147.9**	**303.9**	**10.3**	**3.5**	**11.0**	**(4.9)**	**(4.5)**	**(7.0)**	**158.2**	**146.9**	**308.0**
Depreciation and amortisation	(89.1)	(80.9)	(167.1)	-	-	-	(1.7)	(2.4)	(4.4)	(90.7)	(83.3)	(171.5)
EBIT	**63.8**	**66.9**	**136.9**	**10.3**	**3.5**	**11.0**	**(6.5)**	**(6.9)**	**(11.3)**	**67.5**	**63.5**	**136.5**
Net financial items										(50.5)	(18.3)	(48.3)
PROFIT BEFORE TAX - CONSOLIDATED GROUP										**17.0**	**45.2**	**88.3**

Note 3 Revenue

USD million	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Revenue from contracts with customers	109.8	97.1	220.7	206.6	393.7
Lease component in Own Fleet contracts	73.9	65.8	133.7	110.9	255.2
Other operating revenue	0.1	0.2	0.2	0.4	0.6
Operating revenue - Continuing operations	**183.8**	**163.1**	**354.7**	**317.9**	**649.5**

Disaggregation of revenue - Primary geographical markets

	Own Fleet		External Fleet		Corporate / Other		Consolidated	
USD million	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
Norway	145.1	145.1	16.4	16.8	0.7	1.3	162.2	163.1
Namibia	-	-	20.4	-	-	-	20.4	-
Canada	-	-	1.2	-	-	-	1.2	-
Total operating revenue	**145.1**	**145.1**	**38.0**	**16.8**	**0.7**	**1.3**	**183.8**	**163.1**

	Own Fleet			External Fleet			Corporate / Other			Consolidated		
USD million	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22	YTD 23	YTD 22	FY 22
Norway	279.0	284.3	567.3	43.7	31.8	74.9	1.6	1.8	4.3	324.2	317.9	646.4
Namibia	-	-	-	29.3	-	3.1	-	-	-	29.3	-	3.1
Canada				1.2						1.2		
Total operating revenue	**279.0**	**284.3**	**567.3**	**74.1**	**31.8**	**78.0**	**1.6**	**1.8**	**4.3**	**354.7**	**317.9**	**649.5**

Note 4 Net financial items

USD million	Note	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Interest income		2.0	0.2	3.2	0.2	2.8
Interest expense lease liabilities	8	(1.1)	(1.1)	(2.2)	(1.8)	(4.2)
Other interest expenses		(15.1)	(9.9)	(30.8)	(20.0)	(45.0)
Other borrowing expenses *		(5.7)	(1.4)	(6.9)	(3.4)	(6.3)
Change in fair value of derivatives **		1.4	0.6	(1.1)	5.6	9.2
Net currency gain / (loss)		(6.8)	(1.2)	(11.2)	1.2	(3.6)
Other financial items		(1.5)	(0.1)	(1.6)	(0.2)	(1.2)
Net financial items		**(26.8)**	**(12.8)**	**(50.5)**	**(18.3)**	**(48.3)**

** Q2 23 figures include recognised modification loss related to the extension and amendment to the Odfjell Rig V Ltd. facility, as a result of recalculating amortised cost according to IFRS 9.*

*** 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	9.5	15.4	0.5	7.3	**32.7**
Depreciation	(57.8)	(21.8)	(0.2)	(10.8)	**(90.6)**
Currency translation differences	-	-	(0.2)	(4.4)	**(4.5)**
Net book amount as at 30 June 2023	**1,747.0**	**70.8**	**1.8**	**55.9**	**1,875.5**
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 30 June 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	-	(0.1)	**(0.1)**
Currency translation differences	(0.3)	(0.0)	**(0.3)**
Closing net book amount as at 30 June 2023	**2.7**	**0.2**	**2.9**

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 30 June 2023.

Note 7 Interest-bearing borrowings

USD million	30.06.2023	30.06.2022	31.12.2022
Non-current	634.2	681.1	529.0
Current	128.4	140.0	313.5
Total	**762.6**	**821.1**	**842.5**

Refinancing

Odfjell Drilling has in Q2 2023 completed its planned refinancing through the issuance of a secured bond and through amending, extending and securing bank facilities.

The new bank facilities carry a floating average interest rate of Secured Overnight Financing Rate (SOFR) + 324 basis points.

The Odfjell Rig III Ltd senior secured bond

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.

Odfjell Drilling Ltd. currently holds USD 7.5 million of the bond. The bond liability in the consolidated balance sheet at 30 June 2023 is therefore 382.5 million.

The Odfjell Invest Ltd. facilities

Remaining contractual amount for the old senior bank facility of USD 220 million and USD 100 million for the junior facility was repaid in June 2023.

A new USD 300 million bank facility on Deepsea Stavanger, maturing in February 2028, was secured in Q2 2023. The facility consist of a USD 125 million term loan tranche and a USD 175 million reducing revolving credit facility ("RCF"). USD 43 million was drawn on the RCF in June 2023. The term loan will be made available in due course upon final license approval of the contract with Aker BP for Deepsea Stavanger.

The Odfjell Rig III Ltd. facility

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

The Odfjell Rig V Ltd. facility

The facility with a remaining contractual amount of USD 197 million was amended and extended to January 2029.

Repayment of seller's credit

USD 20 million was repaid in June 2023.

Available drawing facilities

Odfjell Drilling has USD 132 million available on the RCF facility as per 30 June 2023.

In addition, the term loan of USD 125 million will be made available in due course, see above.

Covenants

The main financial covenants are listed below. The covenants are calculated based on Odfjell Drilling Ltd consolidated financial statements. Odfjell Drilling is compliant with all financial covenants as at 30 June 2023

Financial covenants	The Odfjell Rig III Ltd senior secured bond	The Odfjell Invest Ltd. RCF and Term loan	The Odfjell Rig V Ltd. Facility
Equity	n/a	≥ USD 600m	≥ USD 600m
Equity ratio	≥ 30%	≥ 30%	≥ 30%
Total liquitidy	n/a	≥ 7.5% of Interest-bearing debt	≥ 5% of Interest-bearing debt
Free liquidity	≥ USD 50m	≥ USD 50m	≥ USD 50m
Current ratio	≥ 1.0x	≥ 1.0x	≥ 1.0x
Leverage ratio	n/a	≤ 3.0x	≤ 5.0x

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

	30.06.2023		
USD million	Non-current	Current	Total
Carrying amount as at 1 January	529.0	313.5	**842.5**
CASH FLOWS:			
New borrowings	425.6	-	**425.6**
Paid transaction costs related to new borrowings	(10.8)	-	**(10.8)**
Repayment borrowings and seller's credit	(296.5)	(205.3)	**(501.7)**
NON-CASH FLOWS:			
Reclassified from / (to) current borrowings	(20.1)	20.1	**-**
Change in transaction cost, unamortised	6.9	-	**6.9**
Change in accrued interest cost	-	0.0	**0.0**
Carrying amount as at end of period	**634.2**	**128.4**	**762.6**

Repayment schedule for interest-bearing borrowings

USD million	30.06.2023	30.06.2022	31.12.2022
Maturity within 3 months	8.6	21.1	19.6
Maturity between 3 and 6 months	28.6	47.1	45.6
Maturity between 6 and 9 months	58.9	21.1	19.6
Maturity between 9 months and 1 year	28.6	47.1	225.2
Maturity between 1 and 2 years	114.2	689.1	437.3
Maturity between 2 and 3 years	129.2	-	95.0
Maturity between 3 and 4 years	74.2	-	-
Maturity between 4 and 5 years	299.9	-	-
Maturity beyond 5 years	25.7	-	-
Total contractual amounts	**767.7**	**825.3**	**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	30.06.2023	30.06.2022	31.12.2022
Non-current	34.9	44.1	41.7
Current	26.0	25.1	26.5
Total	**60.8**	**69.2**	**68.2**

Movements in lease liabilities are analysed as follows:

	30.06.2023		
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	-	(10.9)	**(10.9)**
Payments for the interest portion of the lease liability	-	(2.2)	**(2.2)**
NON-CASH FLOWS:			
New lease liabilities recognised in the year	7.3	-	**7.3**
Interest expense on lease liabilities	2.2	-	**2.2**
Reclassified to current portion of lease liabilities	(13.5)	13.5	**-**
Currency exchange differences	(2.8)	(1.0)	**(3.8)**
Carrying amount as at end of period	**34.9**	**26.0**	**60.8**

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 30 June 2023 related to the warrant agreements, nor to the modelling technique used to calculate fair value. 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	30.06.2023	30.06.2022	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	-	7.0	7.5
- Interest rate swaps - Other current assets	2	3.5	-	-
OTHER FINANCIAL ASSETS				
Trade and other current receivables		104.4	106.2	100.6
Cash and cash equivalents		117.2	143.9	157.2
Total financial assets		**225.2**	**257.1**	**267.7**

USD million	Level	30.06.2023	30.06.2022	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	0.3	-	-
Derivatives designated as hedging instruments				
- Foreign exchange forward contracts - Other non-current liabilities	2	0.9	-	-
Warrant liabilities - Other non-current liabilities	3	-	2.5	2.8
Warrant liabilities - Other current liabilities	3	1.3	-	-
OTHER FINANCIAL LIABILITIES				
Non-current interest-bearing borrowings		634.2	681.1	529.0
Current interest-bearing borrowings		128.4	140.0	313.5
Non-current lease liabilities		34.9	44.1	41.7
Current lease liabilities		26.0	25.1	26.5
Trade and other payables		76.2	70.9	63.7
Total financial liabilities		**902.0**	**963.8**	**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	30.06.2023	30.06.2022	31.12.2022
Rig investments	52.4	13.4	46.7
Total	**52.4**	**13.4**	**46.7**

The major part of committed capital expenditure as at 30 June 2023 is related to the new BOP for the rig Deepsea Atlantic, as well as the upcoming periodic maintenance for Deepsea Atlantic and Deepsea Nordkapp.

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 realisation 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 has appealed 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 30 June 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 30 June 2023.

There are no other material contingencies to be disclosed as per 30 June 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 30 June 2023.

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

As per 30 June 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 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	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Profit/(loss) due to owners of the parent	11.4	21.9	13.4	89.2	129.6
Adjustment for dividends on preference shares	-	(2.2)	-	(4.4)	(8.3)
Profit/(loss) for the period due to holders of common shares	**11.4**	**19.7**	**13.4**	**84.8**	**121.3**
Adjustment related to warrants and share option plan	-	-	-	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**11.4**	**19.7**	**13.4**	**84.8**	**121.3**

	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Weighted average number of common shares in issue	236,783,202	236,783,202	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**	**236,783,202**	**236,783,202**

	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
EARNINGS PER SHARE - TOTAL					
Basic earnings per share (USD)	0.05	0.08	0.06	0.36	0.51
Diluted earnings per share (USD)	0.05	0.08	0.06	0.36	0.51
EARNINGS PER SHARE - CONTINUING OPERATIONS					
Profit/(loss) for the period due to holders of common shares	11.4	19.7	13.4	38.0	74.6
Diluted profit/(loss) for the period due to the holders of common shares	11.4	19.7	13.4	38.0	74.6
Basic earnings per share - continuing operations (USD)	0.05	0.08	0.06	0.16	0.32
Diluted earnings per share - continuing operations (USD)	0.05	0.08	0.06	0.16	0.32

Note 14 Related-party transactions

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 Technology Ltd. Group	Related to main shareholder	0.6	0.4	1.2	0.4	1.2
Odfjell Oceanwind AS	Related to main shareholder	0.1	0.2	0.3	0.4	0.5
Odfjell Land As	Related to main shareholder	0.1	0.2	0.2	0.4	0.6
Total sales of services to related parties		**0.8**	**0.7**	**1.7**	**1.1**	**2.3**

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

USD million	Relation	Q2 23	Q2 22	YTD 23	YTD 22	FY 22
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	13.1	14.4	23.4	14.4	44.9
Odfjell Oceanwind AS	Related to main shareholder	0.0	-	0.1	-	-
Total purchases from related parties		**13.1**	**14.4**	**23.4**	**14.4**	**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.

Non-current receivable

Refer to Note 11 for information regarding the non-current receivable towards Odfjell Technology Ltd.

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	30.06.2023	30.06.2022	31.12.2022
Trade receivables	0.1	0.5	0.5
Other current receivables	0.0	-	0.0
Trade payables	(5.6)	(7.4)	(10.1)
Other current payables	(3.7)	(9.2)	(1.5)
Net current payables related parties	**(9.2)**	**(16.1)**	**(11.0)**

Lease agreements

USD million *Related party*	Relation	Type of asset	30.06.2023 Lease liability	Q2 23 Payments	YTD 23 Payments
Odfjell Land AS	Related to main shareholder	Properties	26.2	1.1	2.2
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	Mooring and drilling equipment	32.7	5.3	10.6
Total			**59.0**	**6.4**	**12.8**

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 30 June 2023.

Note 15 Events after the reporting period

22 August 2023, the Board of Directors approved a dividend distribution of 0.06 USD per share, equal to approximately USD 14.2 million, with payment in September 2023.

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

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of consolidated financial statements for the period 1 January to 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major transactions with related parties.

London, United Kingdom

22 August 2023

Board of Directors of Odfjell Drilling Ltd.

Simen Lieungh, Chair

Helene Odfjell, Director

Harald Thorstein, Director

Knut Hatleskog, Director

Diane Stephen, General Manager

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.

Leverage ratio

		30.06.2023	
Non-current interest-bearing borrowings	USD	634.2	million
Current interest-bearing borrowings	USD	128.4	million
Non-current lease liabilities	USD	34.9	million
Current lease liabilities	USD	26.0	million
Adjustment for real estate lease liabilities	USD	(28.0)	million
A Adjusted financial indebtedness	**USD**	**795.4**	**MILLION**
Cash and cash equivalents	USD	117.2	million
Adjustment for restricted cash and other cash not readily available	USD	(14.6)	million
B Adjusted cash and cash equivalents	**USD**	**102.7**	**MILLION**
A-B=C Adjusted Net interest-bearing debt	**USD**	**692.7**	**MILLION**
EBITDA last 12 months	USD	319.3	million
Adjustment for effects of real estate leases	USD	(4.7)	million
D Adjusted EBITDA	**USD**	**314.6**	**MILLION**
C/D=E LEVERAGE RATIO		**2.2**	

For more information visit odfjelldrilling.com

odfjell drilling

Design & Production: POMELO-PARADIGM

Appendix N – Annual and Interim Financial Statements for Odfjell Rig Owning Ltd.

Annual accounts 2021

Odfjell Rig Owning Ltd.

Annual Report

2021

Odfjell Rig Owning Ltd

Operations and locations

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

The Company was incorporated 16 December 2015 in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's head office is at Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom and the Company is tax resident in the United Kingdom.

Group Structure

Odfjell Rig Owning Ltd., is a subsidiary of Odfjell Drilling Ltd. (listed at Oslo Stock Exchange) and is the holding company for subsidiaries that mainly perform services included in Odfjell Drilling (ODL) Group's Mobile Drilling Units (MODU) segment. In the MODU segment, the ODL Group operates drilling units owned by the ODL Group and by third parties. The MODU segment also 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 Company receives strategic direction from its parent company, Odfjell Drilling Ltd. The internal management reporting to the Board is integrated with the Odfjell Drilling Ltd. group reporting.

Important development and activities for subsidiaries in the ODL Group MODU segment during 2021

The ODL Group's owned semi-submersible drilling units operated primarily in Norway in 2021. A number of key new contracts and contract extensions were awarded during 2021:

Master Frame Agreement work for Deepsea Atlantic
Equinor has in 2021 added 6 more wells to Deepsea Atlantic under the continued optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The commercial terms are materially the same as for the Johan Sverdrup Phase 2 contract that will commence in Q1 2022. The current firm well program is expected to end back-to-back with the Johan Sverdrup phase 2 contract commencement in early Q1 2022.

Lundin and Equinor contracts to Deepsea Stavanger

A final drilling contract with Lundin was signed on 2 March 2021. The duration of the contract was 3 firm wells with a contractual value of approximately USD 33 million. The contract commenced on 7 July 2021, back to back with the operations for Aker BP. On 1 December 2021, Lundin exercised one well as part of the optional well program agreed in this contract. The operations commenced early January 2022 and were completed end of January.

Additionally, on 26 May 2021, Equinor awarded a drilling contract to Odfjell Drilling for the use of the Deepsea Stavanger. The contract has a firm period of 3 wells with an expected duration of 4 months and an expected commencement date during Q1 2022.
The dayrate in the Equinor contract shall be similar to that agreed for sister rig Deepsea Aberdeen under its Breidablikk contract which is also set to commence during the first half of 2022. The Deepsea Stavanger's contract includes a notable performance incentive rate which shall apply when wells are delivered safely and ahead of target. The rig will also be included in the overall Master Frame Agreement between Equinor and Odfjell Drilling.

Further to the 3 wells awarded in May 2021, Equinor has on 27 September 2021 added one additional well to the rig under the continued optionality mechanism in the overall Master Frame Agreement between the parties. The additional well shall follow the current firm period of the three wells which commences during Q1 2022 and the rig is expected to be occupied into Q3 2022.

Aker BP exercises fourth year for Deepsea Nordkapp

Aker BP has, on 22 March 2021, exercised the second 12-month option for Deepsea Nordkapp under the contract entered into between the parties in April 2018. The second 12-month option shall commence after expiry of the first optional period in June 2022. The approximate contract value for the exercised optional scope is USD 109 million (excluding any integrated services). Furthermore, a performance bonus will be applicable. An additional scope based option period has been agreed which, if exercised shall follow completion of the firm period and have a duration of up to 12 months.

Management and marketing services for Mira and Bollsta

On 23 December 2021, Northern Ocean Ltd awarded Odfjell Drilling the marketing and management services for the semisubmersibles West Mira and West Bollsta. Both units are high end harsh environment 6th generation semisubmersibles tailored for operations on the Norwegian Continental Shelf.

Odfjell Drilling took over the responsibility for Mira in the beginning of February 2022 and the unit currently is quayside at Hanoytangen outside Bergen, Norway. Bollsta will finish its current contract with Lundin before being handed over to Odfjell Drilling in 2022. The units will be renamed to Deepsea Mira and Deepsea Bollsta.

MODU activity during 2021
Deepsea Atlantic was drilling on the Norwegian Continental Shelf (NCS) during 2021 under the Master Frame Agreement (MFA) with Equinor.

Deepsea Stavanger returned to Norway in Q1 2021 and demobilised after drilling in South Africa. It commenced a five well contract with Aker BP in April before moving on to drilling operations with Lundin until November. There was then a downtime period until the end of the year and the start up on new wells for Lundin in January 2022. A contract has been signed with Equinor for a firm period of 5 wells commencing Q1 2022.

Deepsea Aberdeen returned to Norway from the UK to commence operations for Wintershall Dea in February 2021. Under the terms of cancellation for the previous contract with BP Exploration Operating Company Ltd, Odfjell Drilling is compensated with the payment of an early termination fee up to the contract's original expiry date of April 2022. This is subject to a reduction in termination fees while the rig is operating for Wintershall Dea.

Deepsea Nordkapp has been drilling in a number of locations for Equinor and Aker BP. Aker BP has exercised the first 12 month option for the rig which runs up to June 2023. Deepsea Yantai, operated under a management contract for Neptune throughout the year.

Other important development and activities in subsidiaries of the company during 2021

Bank facilities extension of 2021 debt maturities
Odfjell Drilling signed the final documentation for the extension of the Deepsea Aberdeen facility on 30 June 2021. The extensions was made effective on 2 July 2021.
The Deepsea Aberdeen facility was extended on the existing terms with USD 211 million outstanding across two export credit tranches and one commercial tranche as of the effective date. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

COVID-19
The Covid-19 pandemic has had a significant impact on our business in terms of us having to adapt and adjust our ways of working. The pandemic necessitated a renewed focus on people and safety. The Group acted quickly to implement required routines to limit the spread of the virus.

The ODL Group will continue to monitor the situation and take actions as required and recommended by local authorities.

Comments related to the financial statements

(Comparable figures in brackets.)

The Company's interest income amounted to USD 3 million (USD 5 million in 2020), while interest expenses amounted to USD 10 million (USD 14 million). Net loss was USD 7 million in 2021 compared to a net profit of USD 9 million in 2020. The negative change from 2020 is mainly due to net USD 16 million recognized as reversal of impairment of subsidiaries in 2020.

Total cash flow from operating activities was USD 3 million in 2021, and the operating loss constituted USD 0 million. The difference mainly concerns loss related to subsidiaries and net interest received.
The company received USD 28 million from its investing activities related to non-current and current lending facilities.

Cash flow used in financing activities amounted to USD 31 million in 2021, and was due to paid instalments of USD 38 million on debt to parent company, partly offset by proceeds of USD 7 million from current debt to subsidiaries.

The Company's liquidity reserve as of 31.12.2021 amounted to USD 1.2 million.

The Company's short-term debt as of 31.12.2021 constituted 8 % of the Company's total debt, compared to 1% as of 31.12.2020. This increase mainly attributable to current debt to subsidiaries. The Company's financial position is sound and adequate enough to settle short-term debt as it matures with the Company's most liquid assets.

Total assets at year end amounted to USD 932 million, compared to USD 977 million last year. The equity ratio was 74 % as of 31.12.2021, compared to 72 % the year before.

Future challenges

The Company's future challenges is mainly related to performance in the subsidiaries.

The drilling and oil service market has developed positively in recent years due to a strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have observed an increased appetite for field development and production spending across the segment, with the exception of some regional differences. There is currently a strong focus on alternative energy sources and the overall future mix of energy. The transition into greener energy sources is expected to impact the energy market in the coming decades, however the need for continued exploration and production of oil and gas is viewed as vital to bridge the increasing energy demand as new energy sources take time to implement.

The general situation for the global offshore industry has been challenging for some time. This has resulted in overcapacity and financial challenges for several of the players in the

offshore drilling market. Industry consolidation coupled with improved market fundamentals have now resulted in a more positive outlook for the global offshore industry.
For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks stronger and more in balance. We note increased lead time (being the time from request or tender to contract start-up) from E&P companies in harsh environment. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our capabilities and focus.

Odfjell Drilling benefits from having a modern fleet of high-end harsh environment 6th generation units and strategic frame agreements with major oil companies operating in harsh environments. Our Group has been successful in adding more backlog due to our operational track record and strong client relationships, combined with a healthy balance sheet. The Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which triggers increased activity over the next few years.

Financial risk

Overall view on objectives and strategy
Odfjell Rig Owning Ltd. is part of Odfjell Drilling Ltd. Group and therefore included in the financial risk management for the parent group.

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

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Odfjell Drilling Group's financial performance.
Risk management is carried out on Odfjell Drilling Ltd. Group level (Parent company). The Odfjell Drilling Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd., Group has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Market risk
The Company's exchange-rate risk is low since the companies operating income and expenses are mostly in USD, however the company have some immaterial exposure related to cash in bank.

Credit risk
The company is exposed to credit risk related to current and non-current receivables towards subsidiaries. The company does not expect any credit losses in the next 12-month period.

Liquidity risk

The Company's liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries. The parent company (ODL) can also contribute capital and cash position if necessary. The company thereby have sufficient liquidity.

Going concern assumption

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

Odfjell Rig Owning Ltd is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the parent group.

When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log. The substantial reduction in market capitalisation for the oil and gas service providers has led financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may be restricted to the Group in the future for refinancing existing facilities as they mature.

The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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.

The working environment and the employees

The company does not have any employees.

The Board of Directors consists of two women and one man, all of whom are elected for a period of one year.

Environmental reporting

The Company's activities do not pollute the external environment.

Information about Odfjell Drilling Ltd. Group's environmental credentials can be read in the Sustainability Report which is available at www.odfjelldrilling.com.

Directors & Officers Liability Insurance

There is a policy on group level that includes the liability of the Company's Directors and Officers. The limit of liability is NOK 75 million per claim and in aggregate per year.

Events after the reporting period

There have been no events identified after the reporting period which would materially affect the Company's Separate Financial Statements.

Events after the reporting period that would materially affect subsidiaries financial statements

Aker BP extended work for Deepsea Nordkapp

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

The Board of Odfjell Rig Owning Ltd.
25 April 2022, Aberdeen, United Kingdom

Helene Odfjell
Director

Kjetil Gjersdal
Director

Diane Stephen
General Manager / Director

Odfjell Rig Owning Ltd.

Separate
Financial Statements
for the year ended 31 December 2021

Separate Income Statement
for the year ended 31 December

USD thousands	Note	2021	2020
Other operating expenses	3,7	82	69
Total operating expenses		**82**	**69**
OPERATING PROFIT/ (LOSS)		***(82)***	***(69)***
FINANCIAL INCOME AND EXPENSES			
Interest income from group companies	7	3,087	4,952
Other financial income	4,7	1,571	2,202
Interest expense group companies	7	(9,781)	(13,510)
Loss related to subsidiaries / reversal of impairment subsidiaries	6	(1,649)	15,646
Other financial expenses	4	(12)	(257)
Net financial items		**(6,784)**	**9,032**
PROFIT/ (LOSS) BEFORE INCOME TAX		***(6,865)***	***8,963***
Income taxes	10	-	-
PROFIT/ (LOSS)		**(6,865)**	**8,963**
Profit/(loss) attributable to:			
Owners of Odfjell Rig Owning Ltd.		(6,865)	8,963

The accompanying notes are an integral part of these financial statements

Separate Statement of Comprehensive Income
for the year ended 31 December

USD thousands	Note	2021	2020
Profit / (loss) for the period		**(6,865)**	**8,963**
Other comprehensive income:			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**(6,865)**	**8,963**
Total comprehensive income for the period is attributable to:			
Owners of Odfjell Rig Owning Ltd.		(6,865)	8,963

The accompanying notes are an integral part of these financial statements

Separate Statement of Financial Position

USD thousands	Note	31.12.2021	31.12.2020
Assets			
Investments in subsidiaries	6	886,690	886,690
Non-current receivables group companies	7	44,495	85,972
Total non current assets		**931,185**	**972,662**
Current receivables from related parties	7	-	3,238
Other current receivables		8	10
Total receivables		***8***	***3,248***
Cash and cash equivalents	8	1,157	633
Total current assets		**1,165**	**3,880**
TOTAL ASSETS		***932,350***	***976,542***
Equity and liabilities			
Share capital	11	10	10
Other contributed capital		1,063,548	1,063,548
Retained earnings		(370,261)	(363,396)
Total equity		**693,297**	**700,162**
Non-current interest-bearing borrowings related parties	7	220,410	273,158
Total other non-current liabilities		**220,410**	**273,158**
Trade payables		6	7
Current liabilities to related parties	7	18,637	3,214
Total current liabilities		**18,643**	**3,222**
Total liabilities		**239,053**	**276,380**
TOTAL EQUITY AND LIABILITIES		***932,350***	***976,542***

The accompanying notes are an integral part of these financial statements

Aberdeen, United Kingdom, 25 April 2022

Kjetil Gjersdal
Director

Helene Odfjell
Director

Diane Stephen
Director / General Manager

Separate Statement of Financial Position

USD thousands	Note	31.12.2021	31.12.2020
Assets			
Investments in subsidiaries	6	886,690	886,690
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TOTAL EQUITY AND LIABILITIES		***932,350***	***976,542***

The accompanying notes are an integral part of these financial statements

Aberdeen, United Kingdom, 25 April 2022

Kjetil Gjersdal
Director

Helene Odfjell
Director

Diane Stephen
Director / General Manager

Separate Statement of Cash Flow
for the year ended 31 December

USD thousands	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		(6,865)	8,963
Adjustments for:			
Loss related to subsidiaries / reversal of impairment subsidiaries	6	1,649	(15,646)
Net interest expenses	7	6,694	8,555
Foreign exchange losses/(gains) not related to operating activities		12	(13)
Changes in working capital:			
Changes in other receivables/liabilities		1	(911)
Cash generated from operations		*1,490*	*947*
Net interest received		1,181	4,955
Net cash flow from operating activities		***2,671***	***5,903***
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash flow (outflow) current intercompany receivables		10,393	(16,353)
Proceeds from group companies - non-current lending facilities	7	18,000	21,000
Net cash flow for investment activities		***28,393***	***4,647***
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from current debt to subsidiaries		7,473	-
Payment of non-current debt parent company	7	(38,000)	(11,000)
Net cash flow from financing activities		***(30,527)***	***(11,000)***
Net change in cash and cash equivalents for the year		**537**	**(450)**
Cash and cash equivalents at beginning of period		633	1,070
Exchange gains/(losses) on cash and cash equivalents		(12)	13
Cash and cash equivalents at period end		**1,157**	**633**

Cash and cash equivalents include cash and bank deposits and other short-term liquid investments.

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Notes to the Separate Financial Statements

All amounts are in USD thousands unless otherwise stated.

Note 1 > General information, presentation and accounting principles

General information

Odfjell Rig Owning Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Rig Owning 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 parent company Odfjell Drilling Ltd. is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

Presentation of separate financial statements of the parent company

These financial statements are presented as separate financial statements wherein investments of the Company in its subsidiaries are carried at cost without consolidating the financial results of the subsidiaries.
The separate financial statements are presented in USD thousands.
A copy of the consolidated financial statements of the parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Summary of significant accouting policies

Basis of preparation

The separate financial statements of the Company for the year ended 31 December 2021 comply with IFRS as endorsed by EU.

The separate financial statements ended 31 December 2021 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

The accounting policies outlined in relevant notes and below have been applied consistently for all periods presented in these separate financial statements.

Going concern

The Company has adopted the going concern basis in preparing its separate financial statements. The assessment regarding the going concern assumption is disclosed in note 2.

Basis of measurement

The separate financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the separate financial statements are disclosed in note 2.

New and amended standards and interpretations effective after 1 January 2021 that have been adopted by the Company

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 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.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2021 and not early adopted

Certain new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. 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.

Investments in subsidiaries
Investments in subsidiaries are based on the cost method. Refer to Note 7 - Investments in subsidiaries

Dividends
Dividends and group contribution from a subsidiaries are recognised in profit or loss in the separate financial statements when the Company's right to receive the dividend is established.

Foreign currency translation
Foreign currency transactions are translated into the functional currency (USD) 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'.

Current versus non-current classification
The Company 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
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period, or
• 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
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period, or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

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.

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 forecasted 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.

Going concern

The company is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the parent group.

Factors that, in the Company’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 recent 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. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The Odfjell Drilling Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024.
The uncertainties and volatility in today’s financial market represent a risk for the Odfjell Drilling Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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.
Hence, the Company has adopted the going concern basis in preparing its parent financial statements.

Note 3 > Operating expenses, remuneration of the board of directors etc.

USD thousands	Note	2021	2020
Service fee	7	36	26
Auditor's fee		32	34
Fees for financial and legal assistance		13	8
Other expenses		1	0
Total		**82**	**69**

The company had no employees during 2021. The company has a management service agreement with parent company Odfjell Drilling Ltd. The company also has a service agreement with Odfjell Global Business Services AS. The expense related to these agreements are included in Service fee in table above. Refer to note 7 for split between companies.

Key executive management:
The general manager is hired as part of the services provided by Odfjell Drilling Ltd. The cost is included in the service fee, see table above.

Board of non executive directors:
Odfjell Rig Owning Ltd.'s Board of Directors have not received any remuneration from Odfjell Rig Owning Ltd.

Auditor's fee
The audit fees are related to audit of the company and are net of VAT.

Note 4 > Other financial income and expenses

Other financial income

USD thousands	Note	2021	2020
Other interest income		0	3
Guarantee commission	7	1,571	2,198
Total		**1,571**	**2,202**

Other financial expenses

USD thousands	2021	2020
Currency loss	12	257
Other financial expenses	0	0
Total	**12**	**257**

Note 5 > 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), or financial assets at fair value through other comprehensive income (FVOCI) .
Management determines the classification of financial assets at their initial recognition.

Financial assets like loans and receivables held to receive payment of principal and interest are valued at amortised costs. The Company 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.

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 at : fair value through profit or loss, loans and borrowings, payables, 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 Company's financial liabilities include trade and other payable and borrowings. The loans and borrowings category is the most relevant to the Company. 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.

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

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.

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

USD thousands	Note	Level	31.12.2021	31.12.2020
Financial assets at amortised cost				
- Non-current receivables group companies	7		44,495	85,972
- Current receivables from related parties	7		-	3,238
- Other current receivables			-	10
- Cash and Cash equivalents	8		1,157	633
Total assets as at 31.12			**45,652**	**89,852**

USD thousands	Note	Level	31.12.2021	31.12.2020
Financial liabilities at amortised cost				
- Non-current interest-bearing borrowings related parties	7		220,410	273,158
- Trade payables			6	7
- Current liabilities related parties	7		18,637	3,214
Total liabilities as at 31.12.			**239,053**	**276,380**

The fair value of financial assets at amortised cost approximate their carrying amount.
The fair value of financial liabilities at amortised cost approximate their carrying amount.

In addition to assets listed above, the company owns 1,545,454 shares in Golden Close Maritime Ltd. The book value of the shares are USD 0 as at 31 December 2021, which is also the estimated market value.

Note 6 > Investments in subsidiaries

Accounting principle

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.

Below is a listing of directly owned subsidiaries.

Company	Acquisition date	Registered office	Place of business	Voting and owning interest 31.12.2021	Voting and owning interest 31.12.2020
Odfjell Invest Ltd.	21 December 2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%
Odfjell Drilling AS	20 December 2017	Bergen, Norway	Bergen, Norway	100%	100%
Odfjell Rig II Ltd.	21 December 2015	Hamilton, Bermuda	United Arab Emirates	n/a	100%
Odfjell Rig III Ltd.	21 December 2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%
Deep Sea Drilling Company II KS	5 December 2019	Bergen, Norway	Bergen, Norway	90%	90%
Odfjell Rig V Ltd.	23 January 2018	Aberdeen, UK	United Arab Emirates	100%	100%

			USD thousands		
Company	Functional currency	Share capital in USD	Share of profit/(loss) 2021	Share of equity at 31 Dec. 2021	Book value at 31 Dec. 2021
Odfjell Invest Ltd.	USD	12,000	29,669	437,315	424,845
Odfjell Drilling AS	NOK	181,223	22,424	27,150	1,192
Deep Sea Drilling Company II KS	NOK	232,019	(5)	218	238
Odfjell Rig III Ltd.	USD	10,000	2,097	145,079	230,415
Odfjell Rig V Ltd.	USD	3	15,372	247,799	230,000
Total					**886,690**

24 December 2021 the subsidiary Odfjell Rig II Ltd was liquidated. The Company suffered a loss of USD 1.6 million related to receivables towards Odfjell Rig II Ltd.

Impairment indicator evaluation

There has not been identified any impairment indicators for the investments as at 31.12.2021. The recoverable amount of the investment in the subsidiaries are estimated to be higher than the book value. This evaluation is based on book value of equity in the subsidiaries or the consolidated accounts for the subsidiaries. No impairment indicators for the assets in the subsidiaries have been identified. No material off balance sheet liabilities have been identified in the subsidiaries

Book value of investments in Odfjell Rig III Ltd., exceeds book value of equity in the company. However, the book value of consolidated equity in the subgroups support book value of investment.

Impairment / reversal of impairment

Following the impairment tests performed last year, Odfjell Rig Owning Ltd has recognised the following related to impairments:

Company	Description	2021	2020
Odfjell Invest Ltd.	Reversal of impairment of investment in subsidiary	-	38,600
Odfjell Rig II Ltd.	Impairment of investment in subsidiary	-	(9,616)
Odfjell Rig II Ltd.	Impairment of receivable	-	(13,339)
Odfjell Rig II Ltd.	Realised loss of receivable	(1,649)	-
Total		**(1,649)**	**15,646**

Note 7 > Related parties - transactions, receivables and liabilities

Income from related parties

USD thousands	Relation	Type of transaction	2021	2020
Odfjell Rig II Ltd	Subsidiary	Guarantee commission	-	29
Odfjell Rig III Ltd	Subsidiary	Guarantee commission	313	422
Odfjell Invest Ltd	Subsidiary	Guarantee commission	542	937
Odfjell Rig V Ltd.	Subsidiary	Guarantee commission	716	811
Odfjell Invest Ltd	Subsidiary	Interest income - loan	2,113	3,738
Odfjell Rig V Ltd.	Subsidiary	Interest income - loan	974	1,214
Total income from related parties			**4,658**	**7,151**

Expenses from related parties

USD thousands	Relation	Type of transaction	2021	2020
Odfjell Drilling Global Business Services AS	Group Company	Services	12	10
Odfjell Drilling Ltd	Parent Company	Management services	25	16
Odfjell Drilling Ltd	Parent Company	Interest expense	9,781	13,510
Total expenses from related parties			**9,818**	**13,536**

Non-current receivables group companies

The Company has a frame loan agreement with subsidiary Odfjell Invest Ltd. for the amount of USD 120 million. The loan is available for the subsidiary until 31 December 2023. The interest is LIBOR plus a margin of 4 % with quarterly payments. The Company has also a frame loan agreement with subsidiary Odfjell Rig V Ltd. for the amount of USD 27 million. The loan is available until 30 June 2024. The interest is equal to the Basic Interest Rate plus 3.5% margin and the loan has a semi- annual instalment plan.

USD thousands	31.12.2021	31.12.2020
Odfjell Invest Ltd.	27,849	60,000
Odfjell Rig V Ltd.	16,646	25,972
Total non-current receivables group companies	**44,495**	**85,972**

Movements in non-current receivables related parties are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	85,972	105,168
Cash flows:		
Payments received from subsidiaries	(18,000)	(21,000)
Non-cash flows:		
Offsetting agreement *	(16,580)	
Reclassified from current receivables	(8,804)	1,803
Interest accrued	1,906	-
Carrying amount as at 31 December	**44,495**	**85,972**

* Offset agreement between the company, the parent company Odfjell Drilling Ltd., and the subsidiaries Odfjell Rig V Ltd, Odfjell Invest Ltd and Odfjell Rig III Ltd.

Non-current interest-bearing borrowings related parties

The company has a frame loan agreement with parent company Odfjell Drilling Ltd. The total commitment as of 31.12.2021 under the Internal Loan Agreement amount to USD 550 million.

At 23 December 2019, the loan agreement was amended, extending the maturity date from 9 May 2020 to 9 May 2024, and changing the interest from a fixed interest rate of 6.95% to a interest rate of 3 months USD LIBOR with a margin of 3.5% per annum.

USD thousands	31.12.2021	31.12.2020
Odfjell Drilling Ltd.	220,410	273,158
Total non-current liabilities related parties	**220,410**	**273,158**

Movements in non-current receivables related parties are analysed as follows:

USD thousands	2021	2020
Carrying amount as at 1 January	273,158	270,604
Cash flows:		
Repayment of loan	(38,000)	(11,000)
Non-cash flows:		
Offsetting agreement *	(24,530)	
Reclassified from current liabilities	-	44
Interest accrued	9,781	13,510
Carrying amount as at 31 December	**220,410**	**273,158**

* Offset agreement between the company, the parent company Odfjell Drilling Ltd., and the subsidiaries Odfjell Rig V Ltd, Odfjell Invest Ltd and Odfjell Rig III Ltd.

Current receivables and liabilities - related parties

Current receivables

USD thousands	31.12.2021	31.12.2020
Odfjell Invest Ltd	-	3,238
Total current receivables related parties	**-**	**3,238**

Current liabilities

USD thousands	31.12.2021	31.12.2020
Odfjell Rig III Ltd.	18,637	3,214
Total current liabilities related parties	**18,637**	**3,214**

Current receivables and liabilities are due within one year.

Note 8 > Cash and cash equivalents

USD thousands	31.12.2021	31.12.2020
Current account NOK	359	376
Current account USD	798	257
Total	**1,157**	**633**

Cash and cash equivalents includes no restricted cash & cash equivalents as per year end 2021.

Note 9 > Guarantees and security

Guarantees from the company in relation to subsidiaries' loan agreements

The Company 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 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.

Guarantee liabilities

Parent company guarantee in relation to the subsidiaries' loan agreements;

USD thousands	31.12.2021	31.12.2020
Loan agreement in Odfjell Invest Ltd., senior facility	440,052	490,065
Loan agreement in Odfjell Invest Ltd., junior facility	130,000	130,000
Loan agreement in Odfjell Rig III Ltd.	253,200	344,393
Loan agreement in Odfjell Rig V Ltd.	347,227	381,755
Seller's credit in Odfjell Rig V Ltd.	47,369	46,326
Total guarantee liabilities	**1,217,848**	**1,392,539**

Guarantees from Odfjell Rig Owning Ltd., in relation to subsidiaries' customer agreements

Odfjell Rig Owning Ltd., has issued parent company guarantees regarding Deep Sea Drilling Company AS' drilling contract with Wintershall.

Book value of assets pledged as security

The following assets are pledged as first priority

USD thousands	31.12.2021	31.12.2020
Shares in Odfjell Invest Ltd.	424,845	424,845
Shares in Odfjell Rig III Ltd.	230,415	230,415
Shares in Odfjell Rig V Ltd.	230,000	230,000
Shares in Odfjell Drilling AS	1,192	1,192
Shares in Deep Sea Drilling Company II KS	238	238
Total book value of assets pledged as security	**886,690**	**886,690**

Note 10 > Income taxes

Odfjell Rig Owning 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 Bermudan 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 2,095 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.

Income tax reconciliation

USD thousands	2021	2020
Profit / (loss) before tax	(6,865)	8,963
Tax calculated at domestic tax rate - 19%	1,304	(1,703)
Effect of non-taxable income and expenses	(1,304)	1,714
Effect of group relief	-	(11)
Total income tax expense	**-**	**-**

The company did not pay any taxes to the United Kingdom for the fiscal year 2020, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2021.

Note 11 > Share capital and shareholder information

Odfjell Rig Owning Ltd., was incorporated on 16 December 2015 for the purpose of continuing the investments in rig activities of its parent company, Odfjell Drilling Ltd.

	No.of shares	Nominal value	Share capital
Shares issued as at 31.12.2021	10,000	USD 1.00	10,000
Shares issued as at 31.12.2020	10,000	USD 1.00	10,000

All shares carry equal voting rights.

Shareholders at 31 December 2021	Holding	% of total
Odfjell Drilling Ltd.	10,000	100.00%

Shareholders at 31 December 2020	Holding	% of total
Odfjell Drilling Ltd.	10,000	100.00%

Note 12 > Financial Risk Management

Odfjell Rig Owning Ltd. is part of Odfjell Drilling Ltd. Group and therefore included in the financial risk management for the parent group.

Financial risk factors

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

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Odfjell Drilling Group's financial performance.
Risk management is carried out on Odfjell Drilling Ltd. Group level (Parent company). The Odfjell Drilling Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd., Group has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Liquidity risk

The liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries. The parent company can also contribute capital and cash position if necessary. The company thereby have sufficient liquidity.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual undiscounted 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 as at 31 December 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 interest-bearing borrowings related parties	4,188	4,188	8,376	223,202	-	239,953	220,410
Trade payables	6	-	-	-	-	6	6
Current liabilities related parties	18,637		-	-	-	18,637	18,637

Maturity as at 31 December 2020:

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 related parties	5,190	5,190	10,380	286,998	-	307,759	273,158
Trade payables	7	-	-	-	-	7	7
Current liabilities related parties	3,214		-	-	-	3,214	3,214

Foreign exchange risk - Exposure

Exchange-rate risk is low since the companies operating income and expenses are mostly in USD, however the company have some exposure related to cash in bank.

The Company's exposure to foreign currency risk at the end of 31 December 2021, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	359

The Company's exposure to foreign currency risk at the end of 31 December 2020, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	376

Foreign exchange risk - Sensitivity

The company is primarily exposed 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 thousands	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	(60)	(63)	(33)	(34)	40	42
Net effect on profit before tax	**(60)**	**(63)**	**(33)**	**(34)**	**40**	**42**

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 7 - 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 0.4 million, while interest expenses would increase by USD 2.2 million, resulting in a net decrease of profit before taxes of USD 1.8 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 7 - Related parties.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables 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.

The company does not expect any credit losses in the next 12-month period.

Note 13 > Events after the balance sheet date

There have been no events identified after the reporting period which would materially affect these financial statements.

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To the General Meeting of Odfjell Rig Owning Ltd

Independent Auditor's Report

Opinion

We have audited the financial statements of Odfjell Rig Owning Ltd (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and 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, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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 as required by laws and regulations 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. 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.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. 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 legal requirements.

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 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 Company 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 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 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 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.

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.

Bergen, 25 April 2022
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Ståle Christensen
Partner
På vegne av: KPMG
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-25 18:50:09 UTC

bank ID

Annual accounts 2022

Odfjell Rig Owning Ltd.

Annual Report

2022

Odfjell Rig Owning Ltd

Operations and locations

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

The Company was incorporated 16 December 2015 in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's head office is at Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the Company is tax resident in the United Kingdom.

Group Structure

Odfjell Rig Owning Ltd., is a subsidiary of Odfjell Drilling Ltd. (listed at Oslo Stock Exchange) and is the holding company for subsidiaries that, subsequent of the spin-off in Odfjell Drilling (ODL) in Q1 2022, perform the main activities in ODL. In the Own Fleet segment, the Group operates drilling units owned by Odfjell Drilling. In the External Fleet segment the Group 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 Company receives strategic direction from its parent company, Odfjell Drilling Ltd. The internal management reporting to the Board is integrated with the Odfjell Drilling Ltd. group reporting.

Major transactions in 2022

29 November 2022, the company entered into an agreement with Akastor AS to purchase the 16,123,125 preference shares in the parent company Odfjell Drilling Ltd. The purchase price included accrued dividends and was set to USD 95.2 million. USD 75.2 million was paid in cash while USD 20 million of the purchase price was deferred as a Seller's Credit

The fleet in the ODL Group during 2022

As of today, our own 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.

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 20th. During that period the rig drilled for Wintershall under a farm out agreement. On May 8th the rig entered the Breidablikk on contract with Equinor.

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 competing 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 late 2021/early 2022 and the Group's focus was on reactivation and marketing activites. 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 supermajors.

Comments related to the financial statements

(Comparable figures in brackets.)

The Company's interest income amounted to USD 2 million (USD 3 million in 2021), while interest expenses amounted to USD 13 million (USD 10 million). In 2022 the Company recognized USD 13 million as income related to dividends received.
Net profit was USD 4 million in 2022 compared to a net loss of USD 7 million in 2021. The positive change from 2021 is mainly due to dividends received in 2022.

Total cash flow from operating activities was USD 1 million, and the operating loss constituted USD 0 million. The difference mainly concerns other financial income.

The company used USD 105 million in investing activities, mainly related to purchase of preference shares in parent company and changes in intercompany funding.

Cash flow from financing activities amounted to USD 104 million in 2022, mainly due to net proceeds from non-current debt to parent company.

The Company's liquidity reserve as of 31.12.2022 amounted to USD 0.9 million (USD 1.2 million as of 31.12.2021).

The Company's short-term debt as of 31.12.2022 constituted 2 % of the Company's total debt, compared to 2% as of 31.12.2021. This decrease mainly attributable to increased non-current debt to parent company.
The Company's financial position is sound and adequate enough to settle short-term debt as it matures with the Company's most liquid assets.

Total assets at year end amounted to USD 1,062 million, compared to USD 932 million last year. The equity ratio was 66 % as of 31.12.2022, compared to 74 % the year before.

Future challenges

The Company's future challenges is mainly related to performance in the subsidiaries.

During 2022 we saw significantly increased demand due to high energy prices and increased focus on energy security in 2022. 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.

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 uptick 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 risk

Overall view on objectives and strategy

Odfjell Rig Owning Ltd. is part of Odfjell Drilling Ltd. Group and therefore included in the financial risk management for the parent group.

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

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Odfjell Drilling Group's financial performance.
Risk management is carried out on Odfjell Drilling Ltd. Group level (Parent company). The Odfjell Drilling Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd., Group has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Market risk

The Company's exchange-rate risk is low since the companies operating income and expenses are mostly in USD, however the company have some immaterial exposure related to cash in bank.

Credit risk

The company is exposed to credit risk related to current and non-current receivables towards subsidiaries. The company does not expect any credit losses in the next 12-month period.

Liquidity risk

The Company's liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries. The parent company (ODL) can also contribute capital and cash position if necessary. The company thereby have sufficient liquidity.

Going concern assumption

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

Odfjell Rig Owning Ltd is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the parent group.

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 Odfjell Drilling 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 Company has adequate resources to continue its operational existence for the foreseeable future.

The working environment and the employees

The company does not have any employees.
The Board of Directors consists of two women and one man, all of whom are elected for a period of one year.

Environmental reporting

The Company's activities do not pollute the external environment.

Information about Odfjell Drilling Ltd. Group's environmental credentials can be read in the Sustainability Report which is available at www.odfjelldrilling.com.

Directors & Officers Liability Insurance

There is a policy on group level that includes the liability of the Company's Directors and Officers. The limit of liability is NOK 75 million per claim and in aggregate per year.

Events after the reporting period

There have been no events identified after the reporting period which would materially affect the Company's Separate Financial Statements.

The Board of Odfjell Rig Owning Ltd.
19 April 2023, London, United Kingdom

Helene Odfjell
Director

Kjetil Gjersdal
Director

Diane Stephen
General Manager / Director

Odfjell Rig Owning Ltd.

Separate

Financial Statements

for the year ended 31 December 2022

Separate Income Statement
for the year ended 31 December

USD thousands	Note	2022	2021
Other operating expenses	3,8	63	82
Total operating expenses		**63**	**82**
OPERATING PROFIT/ (LOSS)		***(63)***	***(82)***
FINANCIAL INCOME AND EXPENSES			
Interest income from group companies	8	2,450	3,087
Dividends received	6,7	12,804	-
Other financial income	4,8	1,382	1,571
Interest expense group companies	8	(12,681)	(9,781)
Loss related to subsidiaries / reversal of impairment subsidiaries	6	-	(1,649)
Other financial expenses	4	(192)	(12)
Net financial items		**3,762**	**(6,784)**
PROFIT/ (LOSS) BEFORE INCOME TAX		***3,699***	***(6,865)***
Income taxes	12	-	-
PROFIT/ (LOSS)		**3,699**	**(6,865)**
Profit/(loss) attributable to:			
Owners of Odfjell Rig Owning Ltd.		3,699	(6,865)

The accompanying notes are an integral part of these financial statements

Separate Statement of Comprehensive Income for the year ended 31 December

USD thousands	Note	2022	2021
Profit / (loss) for the period		**3,699**	**(6,865)**
Other comprehensive income:			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**3,699**	**(6,865)**
Total comprehensive income for the period is attributable to:			
Owners of Odfjell Rig Owning Ltd.		3,699	(6,865)

The accompanying notes are an integral part of these financial statements

Separate Statement of Financial Position

USD thousands	Note	31.12.2022	31.12.2021
Assets			
Investments in subsidiaries	6	891,287	886,690
Investments in preference shares parent company	7	93,697	-
Non-current receivables group companies	8	76,005	44,495
Total non current assets		**1,060,988**	**931,185**
Current receivables from related parties	8	558	-
Other current receivables		4	8
Total receivables		***562***	***8***
Cash and cash equivalents	9	920	1,157
Total current assets		**1,482**	**1,165**
TOTAL ASSETS		***1,062,470***	***932,350***
Equity and liabilities			
Share capital	13	10	10
Other contributed capital		1,063,548	1,063,548
Retained earnings		(366,562)	(370,261)
Total equity		**696,996**	**693,297**
Non-current interest-bearing borrowings related parties	8	339,078	220,410
Seller's credit	10	20,000	-
Total other non-current liabilities		**359,078**	**220,410**
Trade payables		-	6
Current liabilities to related parties	8	6,218	18,637
Other current liabilities		178	-
Total current liabilities		**6,396**	**18,643**
Total liabilities		**365,474**	**239,053**
TOTAL EQUITY AND LIABILITIES		***1,062,470***	***932,350***

The accompanying notes are an integral part of these financial statements

London, United Kingdom, 19 April 2023

Kjetil Gjersdal
Director

Helene Odfjell
Director

Diane Stephen
Director / General Manager

Separate Statement of Changes in Equity

Attributable to owners of the parent

USD thousands	Note	Share capital	Other contributed capital	Retained earnings	Total equity
Balance at 1 January 2021		10	1,063,548	(363,396)	700,162
Profit/(loss) for the period		-	-	(6,865)	(6,865)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	(6,865)	(6,865)
Balance at 31 December 2021		**10**	**1,063,548**	**(370,261)**	**693,297**
Profit/(loss) for the period		-	-	3,699	3,699
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	3,699	3,699
Balance at 31 December 2022		**10**	**1,063,548**	**(366,562)**	**696,996**

The accompanying notes are an integral part of these financial statements

Separate Statement of Cash Flow
for the year ended 31 December

USD thousands	Note	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		3,699	(6,865)
Adjustments for:			
Loss related to subsidiaries / reversal of impairment subsidiaries	6	-	1,649
Net interest expenses	8,10	10,217	6,694
Dividends recognised as income	6,7	(12,804)	-
Foreign exchange losses/(gains) not related to operating activities		54	12
Changes in working capital:			
Changes in other receivables/liabilities		(59)	1
Cash generated from operations		*1,107*	*1,490*
Net interest received		15	1,181
Net cash flow from operating activities		***1,122***	***2,671***
CASH FLOW FROM INVESTING ACTIVITIES			
Payment purchase of preference shares in parent company	7	(75,205)	-
Payment purchase of shares in subsidiaries	6	(4,597)	-
Net cash flow (outflow) current intercompany receivables		(11,503)	10,393
Payments to group companies - non-current lending facilities	8	(20,000)	-
Proceeds from group companies - non-current lending facilities	8	6,100	18,000
Net cash flow for investment activities		***(105,205)***	***28,393***
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flow (outflow) current debt to subsidiaries		(4,400)	7,473
Proceeds from non-current debt parent company	8	109,800	-
Payment of non-current debt parent company	8	(1,500)	(38,000)
Net cash flow from financing activities		***103,900***	***(30,527)***
Net change in cash and cash equivalents for the year		**(183)**	**537**
Cash and cash equivalents at beginning of period		1,157	633
Exchange gains/(losses) on cash and cash equivalents		(54)	(12)
Cash and cash equivalents at period end		**920**	**1,157**

Cash and cash equivalents include cash and bank deposits and other short-term liquid investments.

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Notes to the Separate Financial Statements

All amounts are in USD thousands unless otherwise stated.

Note 1 > General information, presentation and accounting principles

General information
Odfjell Rig Owning Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Rig Owning 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 parent company Odfjell Drilling Ltd. is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

Presentation of separate financial statements of the parent company
These financial statements are presented as separate financial statements wherein investments of the Company in its subsidiaries are carried at cost without consolidating the financial results of the subsidiaries.
The separate financial statements are presented in USD thousands.
A copy of the consolidated financial statements of the parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Summary of significant accouting policies
Basis of preparation
The separate financial statements of the Company for the year ended 31 December 2022 comply with IFRS as endorsed by EU.

The separate 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.

The accounting policies outlined in relevant notes and below have been applied consistently for all periods presented in these separate financial statements.

Going concern
The Company has adopted the going concern basis in preparing its separate financial statements. The assessment regarding the going concern assumption is disclosed in note 2.

Basis of measurement
The separate financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the separate financial statements are disclosed in note 2.

New and amended standards and interpretations effective after 1 January 2022 that have been adopted by the Company
- Onerous Contracts - Costs of Fulfilling an 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.

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 2021 reporting periods and have not been early adopted by the Company. 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.

Investments in subsidiaries
Investments in subsidiaries are based on the cost method. Refer to Note 6 - Investments in subsidiaries

Dividends
Dividends and group contribution from a subsidiaries are recognised in profit or loss in the separate financial statements when the Company's right to receive the dividend is established.

Foreign currency translation
Foreign currency transactions are translated into the functional currency (USD) 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'.

Current versus non-current classification
The Company 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
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period, or
• 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
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period, or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Borrowings
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.

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

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.

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 forecasted 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.

Going concern

The company is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the parent group.

Factors that, in the Company'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 Odfjell Drilling 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 Company has adopted the going concern basis in preparing its separate financial statements.

Note 3 > Operating expenses, remuneration of the board of directors etc.

USD thousands	Note	2022	2021
Service fee	8	28	36
Auditor's fee		17	32
Fees for financial and legal assistance		17	13
Other expenses		-	1
Total		**63**	**82**

The company had no employees during 2022. The company has a management service agreement with parent company Odfjell Drilling Ltd. The company also has a service agreement with Odfjell Technology AS. The expense related to these agreements are included in Service fee in table above. Refer to note 7 for split between companies.

Key executive management:

The general manager is hired as part of the services provided by Odfjell Drilling Ltd. The cost is included in the service fee, see table above.

Board of non executive directors:

Odfjell Rig Owning Ltd.'s Board of Directors have not received any remuneration from Odfjell Rig Owning Ltd.

Auditor's fee

The audit fees are related to audit of the company and are net of VAT.

Note 4 > Other financial income and expenses

Other financial income

USD thousands	Note	2022	2021
Other interest income		15	0
Guarantee commission	8	1,367	1,571
Total		**1,382**	**1,571**

Other financial expenses

USD thousands		2022	2021
Interest expenses Seller's credit	10	178	-
Currency loss		15	12
Total		**192**	**12**

Note 5 > 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), or financial assets at fair value through other comprehensive income (FVOCI) .
Management determines the classification of financial assets at their initial recognition.

Financial assets like loans and receivables held to receive payment of principal and interest are valued at amortised costs. The Company 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.

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 at : fair value through profit or loss, loans and borrowings, payables, 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 Company's financial liabilities include trade and other payable and borrowings. The loans and borrowings category is the most relevant to the Company. 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.

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

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.

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				
- Investments in preference shares parent company	7	3	93,697	-
Financial assets at amortised cost				
- Non-current receivables group companies	7		76,005	44,495
- Current receivables from related parties	7		558	-
- Other current receivables			4	-
- Cash and Cash equivalents	8		920	1,157
Total assets as at 31.12			**171,183**	**45,652**

USD thousands	Note	Level	31.12.2022	31.12.2021
Financial liabilities at amortised cost				
- Non-current interest-bearing borrowings related parties	7		339,078	220,410
- Seller's credit	10	2	20,000	-
- Trade payables			-	6
- Current liabilities related parties	7		6,218	18,637
- Other current liabilities			178	-
Total liabilities as at 31.12.			**365,474**	**239,053**

The fair value of financial assets at amortised cost approximate their carrying amount.
The fair value of financial liabilities at amortised cost approximate their carrying amount.

In addition to assets listed above, the company owns 1,545,454 shares in Golden Close Maritime Ltd. The book value of the shares are USD 0 as at 31 December 2022, which is also the estimated market value.

Note 6 > Investments in subsidiaries

Accounting principle

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.

Below is a listing of directly owned subsidiaries.

Company	Acquisition date	Registered office	Place of business	Voting and owning interest 31.12.2022	Voting and owning interest 31.12.2021
Odfjell Invest Ltd.	21 December 2015	Hamilton, Bermuda	Aberdeen, UK	100 %	100 %
Odfjell Drilling AS	20 December 2017	Bergen, Norway	Bergen, Norway	100 %	100 %
Odfjell Rig III Ltd.	21 December 2015	Hamilton, Bermuda	Aberdeen, UK	100 %	100 %
Deep Sea Drilling Company II KS	5 December 2019	Bergen, Norway	Bergen, Norway	90 %	90 %
Odfjell Rig V Ltd.	23 January 2018	Aberdeen, UK	United Arab Emirates	100 %	100 %
Odfjell Drilling South Africa Ltd.	16 December 2022	Aberdeen, UK	South Africa / Namibia	100 %	0 %

			USD thousands		
Company	Functional currency	Share capital in USD	Share of profit/(loss) 2022	Share of equity at 31 Dec. 2022	Book value at 31 Dec. 2022
Odfjell Invest Ltd.	USD	12,000	59,463	496,778	424,845
Odfjell Drilling AS	NOK	181,223	17,903	43,413	1,192
Deep Sea Drilling Company II KS	NOK	232,019	13	207	238
Odfjell Rig III Ltd.	USD	10,000	655	133,734	230,415
Odfjell Rig V Ltd.	USD	3	13,449	261,248	230,000
Odfjell Drilling South Africa Ltd.	USD	1	281	4,927	4,597
Total					**891,287**

24 December 2021 the subsidiary Odfjell Rig II Ltd was liquidated. The Company suffered a loss of USD 1.6 million related to receivables towards Odfjell Rig II Ltd.

In December 2022 the Company received dididend of USD 12 million from subsidiary Odfjell Rig III Ltd.

Impairment indicator evaluation

There has not been identified any impairment indicators for the investments as at 31.12.2022. The recoverable amount of the investment in the subsidiaries are estimated to be higher than the book value. This evaluation is based on book value of equity in the subsidiaries or the consolidated accounts for the subsidiaries. No impairment indicators for the assets in the subsidiaries have been identified. No material off balance sheet liabilities have been identified in the subsidiaries

Book value of investments in Odfjell Rig III Ltd., exceeds book value of equity in the company. However, the book value of consolidated equity in the subgroups support book value of investment.

Impairment / reversal of impairment

Following the impairment tests performed last year, Odfjell Rig Owning Ltd has recognised the following related to impairments:

Company	Description	2022	2021
Odfjell Rig II Ltd.	Realised loss of receivable	2,313	(1,649)
Total		**-**	**(1,649)**

Note 7 > Investments in preference shares parent company

29 November 2022, the company entered into an agreement with Akastor AS to purchase the 16,123,125 preference shares in the parent company Odfjell Drilling Ltd. The purchase price included accrued dividends and was set to USD 95.2 million. USD 75.2 million was paid in cash while USD 20 million of the purchase price was deferred as a Seller's Credit (refer to Note 10).

The preference shares do not carry any voting rights. The preference shares will entitle the holder to a preferred payment in kind (PIK) dividend of 5% per annum capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually.

31 December 2022 the company received cash dividend of USD 2.3 million which was offset toward the loan agreement with Odfjell Drilling Ltd. In additon PIK dividend of USD 2.3 million was capitalised. Dividends earned from purchase date up until 31 December 2022, a total of USD 0.8 million, was recognised as dividend income in 2022.

The investment in preference shares is measured at fair value through profit or loss. Book value as at 31 December 2022 of USD 93.7 million reflects present value of cashflow from the investment.

Note 8 > Related parties - transactions, receivables and liabilities

Income from related parties

USD thousands	Relation	Type of transaction	2022	2021
Odfjell Rig III Ltd	Subsidiary	Guarantee commission	235	313
Odfjell Invest Ltd	Subsidiary	Guarantee commission	491	542
Odfjell Rig V Ltd.	Subsidiary	Guarantee commission	640	716
Odfjell Invest Ltd	Subsidiary	Interest income - loan	1,590	2,113
Odfjell Rig V Ltd.	Subsidiary	Interest income - loan	859	974
Odfjell Rig III Ltd	Subsidiary	Dividends	12,000	-
Odfjell Drilling Ltd	Parent company	Dividends	804	-
Total income from related parties			**16,621**	**4,658**

Expenses from related parties

USD thousands	Relation	Type of transaction	2022	2021
Odfjell Technology AS	Related to main shareholder	Services	10	12
Odfjell Drilling Ltd	Parent Company	Management services	18	25
Odfjell Drilling Ltd	Parent Company	Interest expense	12,681	9,781
Total expenses from related parties			**12,709**	**9,818**

Non-current receivables group companies

The Company has a frame loan agreement with subsidiary Odfjell Invest Ltd. for the amount of USD 120 million. The loan is extended in 2022, and is now available for the subsidiary until 31 December 2025. The interest is LIBOR plus a margin of 4 % with quarterly payments. The Company has also a frame loan agreement with subsidiary Odfjell Rig V Ltd. for the amount of USD 27 million. The loan is available until 30 June 2024. The interest is equal to the Basic Interest Rate plus 3.5% margin and the loan has a semi- annual instalment plan.

USD thousands	31.12.2022	31.12.2021
Odfjell Invest Ltd.	60,000	27,849
Odfjell Rig V Ltd.	16,005	16,646
Total non-current receivables group companies	**76,005**	**44,495**

Movements in non-current receivables related parties are analysed as follows:

USD thousands	2022	2021
Carrying amount as at 1 January	44,495	85,972
Cash flows:		
Payments to subsidiaries	20,000	-
Proceeds received from subsidiaries	(6,100)	(18,000)
Non-cash flows:		
Offsetting agreement *	-	(16,580)
Reclassified from current receivables	15,646	(8,804)
Interest accrued	1,965	1,906
Carrying amount as at 31 December	**76,005**	**44,495**

* Offset agreement in 2021 between the company, the parent company Odfjell Drilling Ltd., and the subsidiaries Odfjell Rig V Ltd, Odfjell Invest Ltd and Odfjell Rig III Ltd.

Non-current interest-bearing borrowings related parties

The company has a frame loan agreement with parent company Odfjell Drilling Ltd. The total commitment as of 31.12.2022 under the Internal Loan Agreement amount to USD 550 million.

The maturity date is 9 May 2024, and the interest rate is 3 months USD LIBOR plus a margin of 3.5% per annum.

USD thousands	31.12.2022	31.12.2021
Odfjell Drilling Ltd.	339,078	220,410
Total non-current liabilities related parties	**339,078**	**220,410**

Movements in non-current interest-bearing borrowings related parties are analysed as follows:

USD thousands	2022	2021
Carrying amount as at 1 January	220,410	273,158
Cash flows:		
Proceeds from loan	109,800	-
Repayment of loan	(1,500)	(38,000)
Non-cash flows:		
Offsetting agreement *	-	(24,530)
Reclassified from current liabilities	(2,313)	-
Interest accrued	12,681	9,781
Carrying amount as at 31 December	**339,078**	**220,410**

* Offset agreement in 2021 between the company, the parent company Odfjell Drilling Ltd., and the subsidiaries Odfjell Rig V Ltd, Odfjell Invest Ltd and Odfjell Rig III Ltd.

Current receivables and liabilities - related parties

Current receivables

USD thousands	31.12.2022	31.12.2021
Odfjell Invest Ltd	558	-
Total current receivables related parties	**558**	**-**

Current liabilities

USD thousands	31.12.2022	31.12.2021
Odfjell Rig III Ltd.	2,002	18,637
Odfjell Drilling South Africa Ltd.	4,216	-
Total current liabilities related parties	**6,218**	**18,637**

Current receivables and liabilities are due within one year.

Note 9 > Cash and cash equivalents

USD thousands	31.12.2022	31.12.2021
Current account NOK	415	359
Current account USD	505	798
Total	**920**	**1,157**

Cash and cash equivalents includes no restricted cash & cash equivalents as per year end 2022.

Note 10 > Seller's credit

As per the terms of the purchase of the preference shares from Akastor, see Note 7, 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 Seller's credit has a fixed interest rate of 10% payable each quarter.

USD thousands		2022	
External interest-bearing borrowings	**Non-current**	**Current**	**Total**
Sellers's credit	20,000	-	20,000
Accrued interest cost	-	178	178
Total carrying amounts external interest-bearing borrowings	**20,000**	**178**	**20,178**

Movements in external interest-bearing borrowings are analysed as follows:		2022	
USD thousands	**Non-current**	**Current**	**Total**
Carrying amount as at 1 January	-	-	-
Non-cash flows:			
Seller's credit raised	20,000		20,000
Change in accrued interest cost	-	178	178
Carrying amount as at 31 December	**20,000**	**178**	**20,178**

Note 11 > Guarantees and security

Guarantees from the company in relation to subsidiaries' loan agreements

The Company 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 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.

Guarantee liabilities

Parent company guarantee in relation to the subsidiaries' loan agreements;

USD thousands	31.12.2022	31.12.2021
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.	240,333	253,200
Loan agreement in Odfjell Rig V Ltd.	314,708	347,227
Seller's credit in Odfjell Rig V Ltd.	48,780	47,369
Total guarantee liabilities	**1,093,119**	**1,217,848**

Book value of assets pledged as security

The following assets are pledged as first priority

USD thousands	31.12.2022	31.12.2021
Shares in Odfjell Invest Ltd.	424,845	424,845
Shares in Odfjell Rig III Ltd.	230,415	230,415
Shares in Odfjell Rig V Ltd.	230,000	230,000
Shares in Odfjell Drilling AS	1,192	1,192
Shares in Deep Sea Drilling Company II KS	238	238
Shares in Odfjell Drilling South Africa Ltd.	4,597	-
Total book value of assets pledged as security	**891,287**	**886,690**

Note 12 > Income taxes

Odfjell Rig Owning 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 Bermudan 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 2,095 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.

Income tax reconciliation

USD thousands	2022	2021
Profit / (loss) before tax	3,699	(6,865)
Tax calculated at domestic tax rate - 19%	(703)	1,304
Effect of non-taxable income and expenses	458	(1,304)
Effect of group relief	245	-
Total income tax expense	**-**	**-**

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.

Note 13 > Share capital and shareholder information

Odfjell Rig Owning Ltd., was incorporated on 16 December 2015 for the purpose of continuing the investments in rig activities of its parent company, Odfjell Drilling Ltd.

	No.of shares	Nominal value	Share capital
Shares issued as at 31.12.2022	10,000	USD 1.00	10,000
Shares issued as at 31.12.2021	10,000	USD 1.00	10,000

All shares carry equal voting rights.

Shareholders at 31 December 2022	Holding	% of total
Odfjell Drilling Ltd.	10,000	100.00 %

Shareholders at 31 December 2021	Holding	% of total
Odfjell Drilling Ltd.	10,000	100.00 %

Note 14 > Financial Risk Management

Odfjell Rig Owning Ltd. is part of Odfjell Drilling Ltd. Group and therefore included in the financial risk management for the parent group.

Financial risk factors

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

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Odfjell Drilling Group's financial performance.
Risk management is carried out on Odfjell Drilling Ltd. Group level (Parent company). The Odfjell Drilling Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd., Group has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Liquidity risk

The liquidity risk is low as a result of adequate long-term funding and available liquidity in subsidiaries. The parent company can also contribute capital and cash position if necessary. The company thereby have sufficient liquidity.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual undiscounted 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 as at 31 December 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 related parties	12,156	12,156	347,182	-	-	371,494	339,078
Seller's credit	689	1,017	21,689			23,394	20,178
Current liabilities related parties	6,218	-	-	-	-	6,218	6,218

Maturity as at 31 December 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 interest-bearing borrowings related parties	4,188	4,188	8,376	223,202	-	239,953	220,410
Trade payables	6	-	-	-	-	6	6
Current liabilities related parties	18,637	-	-	-	-	18,637	18,637

Foreign exchange risk - Exposure

Exchange-rate risk is low since the companies operating income and expenses are mostly in USD, however the company have some exposure related to cash in bank.

The Company's exposure to foreign currency risk at the end of 31 December 2022, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	415

The Company's exposure to foreign currency risk at the end of 31 December 2021, expressed in USD, was as follows:

USD thousands	NOK
Cash and cash equivalents	359

Foreign exchange risk - Sensitivity

The company is primarily exposed 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 thousands	2022	2021	2022	2021	2022	2021
Cash and cash equivalents	(69)	(60)	(38)	(33)	46	40
Net effect on profit before tax	**(69)**	**(60)**	**(38)**	**(33)**	**46**	**40**

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 8 - 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 0.7 million, while interest expenses would increase by USD 3.4 million, resulting in a net decrease of profit before taxes of USD 2.7 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 8 - Related parties.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables 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.

The company does not expect any credit losses in the next 12-month period.

Note 15 > Events after the balance sheet date

There have been no events identified after the reporting period which would materially affect these financial statements.

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To the General Meeting of Odfjell Rig Owning Ltd

Independent Auditor's Report

Opinion

We have audited the financial statements of Odfjell Rig Owning 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 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, and
- 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 EU.

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 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.

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.

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 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 Company 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 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 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 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.

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.

Bergen, 28 April 2023
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2023-04-28 08:47:51 UTC

H1 2023

Odfjell Rig Owning Ltd.

Interim
Financial Report

for the period ending 30 June 2023

Condensed Separate Income Statement for the interim period

USD thousands	Note	First half of 2023	First half of 2022	Full year 2022
Other operating expenses		(6)	(16)	63
Total operating expenses		**(6)**	**(16)**	**63**
Operating profit / (loss) - EBIT		**(6)**	**(16)**	**(63)**
Income from investments	2	23,446	-	12,804
Other financial items	3	(11,339)	(3,625)	(9,043)
Net financial items		12,107	(3,625)	3,762
Profit / (loss) before tax		**12,101**	**(3,642)**	**3,699**
Income taxes		-	-	-
Profit / (loss)		**12,101**	**(3,642)**	**3,699**

Condensed Separate Statement of Comprehensive Income for the interim period

USD thousands	Note	First half of 2023	First half of 2022	Full year 2022
Profit / (loss) for the period		**12,101**	**(3,642)**	**655**
Other comprehensive income for the period, net of tax		**-**	**-**	**-**
Total comprehensive income for the period		**12,101**	**(3,642)**	**655**

Condensed Separate Statement of Financial Position

USD thousands	Note	30.06.2023	30.06.2022	31.12.2022
Assets				
Investments in subsidiaries		891,287	886,690	891,287
Investments in preference shares parent company		96,029	-	93,697
Non-current receivables related parties	5	204,983	43,988	76,005
Total non-current assets		**1,192,299**	**930,679**	**1,060,988**
Other current receivables		4	4	562
Cash and bank deposits		2,071	1,103	920
Total current assets		**2,074**	**1,107**	**1,482**
Total assets		**1,194,373**	**931,786**	**1,062,470**
Equity and liabilities				
Share capital		10	10	10
Other contributed capital		1,063,548	1,063,548	1,063,548
Retained earnings		(354,461)	(373,903)	2,752
Total equity		**709,097**	**689,655**	**696,996**
Non-current interest-bearing borrowings related parties	5	481,709	223,493	339,078
Seller's credit	4	-	-	20,000
Total non-current liabilities		**481,709**	**223,493**	**359,078**
Other current liabilities		3,567	18,637	6,396
Total current liabilities		**3,567**	**18,637**	**6,396**
Total liabilities		**485,276**	**242,130**	**365,474**
Total equity and liabilities		**1,194,373**	**931,786**	**1,062,470**

The Board of Odfjell Rig Owning Ltd
London, United Kingdom, 6 September 2023

Helene Odfjell	Kjetil Gjersdal	Diane Stephen
Director	Director	Director
(Sign.)	(Sign.)	(Sign.)

Condensed Separate Statement of Changes in Equity

Attributable to owners of the parent

USD thousands	Share capital	Other contributed capital	Retained earnings	Total equity
Balance at 1 January 2022	10	1,063,548	(370,261)	693,297
Profit/(loss) for the period	-	-	(3,642)	(3,642)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(3,642)	(3,642)
Transactions with owners	-	-	-	-
Balance at 30 June 2022	**10**	**1,063,548**	**(373,903)**	**689,655**
Total comprehensive income for second half of 2022	-	-	7,341	7,341
Transactions with owners second half of 2022	-	-		-
Balance at 31 December 2022	**10**	**1,063,548**	**(366,562)**	**696,996**
Profit/(loss) for the period	-	-	12,101	12,101
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	12,101	12,101 -
Transactions with owners	-	-	-	-
Balance at 30 June 2023	**10**	**1,063,548**	**(354,461)**	**709,097**

Condensed Separate Statement of Cash Flow for the interim period

USD thousands	Note	First half of 2023	First half of 2022	Full year 2022
Cashflow from operating activities				
Profit/loss before tax		12,101	(3,642)	3,699
Adjustments for provisions and non-cash items		(10,334)	3,625	(2,534)
Changes in working capital		(1,894)	(2)	(59)
Cash generated from operations		(127)	(18)	1,107
Net interest paid		(1,162)	2	15
Net cash flow used in operating activities		**(1,289)**	**(16)**	**1,122**
Cash flows from investing activities				
Payment purchase of preference shares in parent company		-	-	(75,205)
Payment purchase of shares in subsidiaries		-	-	(4,597)
Payments to group companies - non-current lending facilities	5	(620)	-	(20,000)
Proceeds from group companies - non-current lending facilities	5	26,300	1,500	6,100
Net cash flow (outflow) current intercompany receivables		-	-	(11,503)
Dividends received	2	18,781	-	-
Net cash flow used in investing activities		**44,461**	**1,500**	**(105,205)**
Cash flows from financing activities				
Proceeds from borrowings related parties	5	-	-	109,800
Repayment of borrowings related parties	5	(33,930)	(1,500)	(1,500)
Repayment of borrowings external (Seller's credit)	4	(20,000)	-	
Net cash flow (outflow) current debt to subsidiaries		12,800	-	(4,400)
Net cash from financing activities		**(41,130)**	**(1,500)**	**103,900**
Net change in cash and cash equivalents		**2,043**	**(16)**	**(183)**
Cash and cash equivalents at beginning of period		1,103	1,157	1,157
Exchange gains/(losses) on cash and cash equivalents		(1,075)	(38)	(54)
Cash and cash equivalents at period end		**2,071**	**1,103**	**920**

Cash and cash equivalents include cash and bank deposits and other short-term liquid investments.

Note 1 - General information, presentation and accounting principles

General information

Odfjell Rig Owning Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Rig Owning 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 parent company Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

The principal activities of the Company owning its shares in subsidiaries, as well as some intercompany financing activities.

These condensed interim financial statements were approved by the Board of Directors 6 September 2023 and have not been audited.

Presentation of separate financial statements of the parent company

These financial statements are presented as separate financial statements wherein investments of the Company in its subsidiaries are carried at cost without consolidating the financial results of the subsidiaries.
The separate financial statements are presented in USD thousands.
A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Basis of preparation

These condensed interim financial statements for the six months period ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed 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. A copy of the annual financial report 2022 can be obtained from the head office, and the financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

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

Note 2 - Income from investments

Dividends received from subsidiaries

The company received USD 8.8 million in dividends from the subsidiary Odfjell Drilling AS in June 2023.

Dividends received from investments in preference shares parent company

30 June 2023 the company received cash dividend of USD 2.3 million which was offset toward the loan agreement with Odfjell Drilling Ltd. In additon PIK dividend of USD 2.3 million was capitalised. A total of USD 4.6 million was recognised as income from investments in 2023.

Note 3 - Net financial items

USD thousands	YTD 2023	YTD 2022	FY 2022
Interest income	3,828	996	2,464
Interest expenses	(15,864)	(4,583)	(12,859)
Guarantee commission	-	-	1,367
Net currency gain / (loss)	698	(38)	(15)
Total other financial items	**(11,339)**	**(3,625)**	**(9,043)**

Refer to note 5 for further information about related parties interest income and interest expenses.

Note 4 - Interest-bearing borrowings

Interest-bearing borrowings specification

USD thousands	Note	30.06.2023	30.06.2022	31.12.2022
Non-current interest-bearing borrowings related parties	5	481,709	223,493	339,078
Seller's credit		-	-	20,000
Carrying amounts interest-bearing borrowings		**481,709**	**223,493**	**359,078**

The Seller's credit was repaid in full in June 2023.

Refer to note 5 for further information about interest-bearing borrowings related parties.

Note 5 - Related parties - transactions and balances

Income from related parties

USD thousands	Relation	Type of transaction	H1 2023	H1 2022
Odfjell Drilling AS	Subsidiary	Dividends	18,781	-
Odfjell Drilling Ltd	Parent company	Dividends	4,665	-
Total income from investments in related parties			**23,446**	**-**
Odfjell Invest Ltd	Subsidiary	Interest income - loan	1,918	650
Odfjell Rig V Ltd.	Subsidiary	Interest income - loan	458	344
Odfjell Rig III Ltd	Subsidiary	Interest income - loan	1,424	-
Total interest income from related parties			**3,801**	**994**

Expenses from related parties

USD thousands	Relation	Type of transaction	H1 2023	H1 2022
Odfjell Drilling Ltd	Parent Company	Interest expense	(13,626)	(4,583)
Odfjell Invest Ltd	Subsidiary	Interest expense	(1,227)	-
Total expenses from related parties			**(14,853)**	**(4,583)**

Non-current receivables related parties

The Company's loan with subsidiary Odfjell Invest Ltd. was repaid in 1 June 2023, by offsetting the remaining amount against the new borrowing facility with the subsidiary.

A new frame loan agreement with subsidiary Odfjell Rig III Ltd. for the amount of USD 400 million was entered into 1 June 2023.. The loan is available until 1 June 2028. The interest is equal to 3 months term SOFR plus 4% margin and the loan has a semi- annual instalment plan starting from June 2026.

USD thousands	Relation	30.06.2023	30.06.2022	31.12.2022
Odfjell Invest Ltd.	Subsidiary	-	28,499	60,000
Odfjell Rig V Ltd.	Subsidiary	16,583	15,489	16,005
Odfjell Rig III Ltd	Subsidiary	188,400	-	-
Total non-current receivables related parties		**204,983**	**43,988**	**76,005**

Movements in non-current receivables related parties are analysed as follows:

USD thousands	H1 2023	H1 2022	FY 2022
Carrying amount as at 1 January	76,005	44,495	44,495
Cash flows:			
Payments to subsidiaries	620	-	20,000
Proceeds received from subsidiaries	(26,300)	(1,500)	(6,100)
Non-cash flows:			
Offset non-current borrowings	(41,118)	-	-
Offsetting agreement *	205,558	-	-
Reclassified from current receivables	(13,582)	-	15,646
Interest accrued	3,801	994	1,965
Carrying amount as at 31 December	**204,983**	**43,988**	**76,005**

* Offset agreement in 2023 between the company and the subsidiaries Odfjell Invest Ltd and Odfjell Rig III Ltd.

Non-current interest-bearing borrowings related parties

A new frame loan agreement with subsidiary Odfjel Invest Ltd. for the amount of USD 400 million was entered into 1 June 2023.. The loan is available until 1 June 2026. The interest is equal to 3 months term SOFR plus 4% margin and the loan has a semi- annual instalment plan starting from June 2025.

USD thousands	Relation	30.06.2023	30.06.2022	31.12.2022
Odfjell Drilling Ltd.	Parent company	316,442	223,493	339,078
Odfjell Invest Ltd	Subsidiary	165,267	-	-
Total non-current liabilities related parties		**481,709**	**223,493**	**339,078**

Movements in non-current interest-bearing borrowings related parties are analysed as follows:

USD thousands	H1 2023	H1 2022	FY 2022
Carrying amount as at 1 January	339,078	220,410	220,410
Cash flows:			
Proceeds from loan	-	-	109,800
Repayment of loan	(33,930)	(1,500)	(1,500)
Non-cash flows:			
Offset non-current receivable	(41,118)	-	-
Offsetting agreement *	205,558	-	-
Reclassified from current liabilities	(2,732)	-	(2,313)
Interest accrued	14,853	4,583	12,681
Carrying amount as at 31 December	**481,709**	**223,493**	**339,078**

* Offset agreement in 2023 between the company and the subsidiaries Odfjell Invest Ltd and Odfjell Rig III Ltd.

Current receivables and liabilities - related parties

Current receivables

USD thousands	30.06.2023	30.06.2022	31.12.2022
Odfjell Invest Ltd	-	-	558
Total current receivables related parties	**-**	**-**	**558**

Current liabilities

USD thousands	30.06.2023	30.06.2022	31.12.2022
Odfjell Rig III Ltd.	-	18,637	2,002
Odfjell Drilling South Africa Ltd.	4,216	-	4,216
Total current liabilities related parties	**4,216**	**18,637**	**6,218**

Current receivables and liabilities are due within one year.

Note 6 - 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

Preference shares are held at fair value through profit of loss. The Company has calculated fair value based based on the present value of estimated cashflow from the investment.

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

USD thousands	Note	Level	30.06.2023	30.06.2022	31.12.2022
Financial assets at fair value through profit or loss					
Derivatives not designated as hedging instruments					
- Investments in preference shares parent company		3	96,029	-	93,697
Other financial assets					
- Non-current receivables group companies	5		204,983	43,988	76,005
- Current receivables from related parties	5		-		
- Other current receivables			4	4	562
- Cash and Cash equivalents			2,071	1,103	920
Total assets as at 31.12			**303,086**	**45,095**	**171,183**

USD thousands	Note	Level	30.06.2023	30.06.2022	31.12.2022
Other financial liabilities					
- Non-current interest-bearing borrowings related parties	5		481,709	223,493	339,078
- Seller's credit	4		-	-	20,000
- Other current liabilities			3,567	18,637	6,396
Total liabilities as at 31.12.			**485,276**	**242,130**	**365,474**

The fair value of financial assets at amortised cost approximate their carrying amount.
The fair value of financial liabilities at amortised cost approximate their carrying amount.

Note 7 - Share information and dividends

There have been no changes in authorised or issued shares, nor have there been any changes in shareholders.

The company has not paid any dividends in 2023.

Note 8 - Events after the balance sheet date

There have been no events identified after the reporting period which would materially affect these interim financial statements.

Appendix O – Annual and Interim Financial Statements for Odfjell Drilling Shetland Ltd.

Annual accounts 2021 and 2022

Odfjell Drilling Shetland Ltd.

Special Purpose Financial Statements

for the years ended 31 December 2021 and 31 December 2022

Income Statement
for the year ended 31 December

USD thousands	Note	2022	2021
Operating revenues	4	**84,331**	**116,505**
Personnel expenses	5	(169)	(672)
Depreciation	9	(38,549)	(36,036)
Other operating expenses	6	(2,215)	(10,933)
Total operating expenses		**(40,933)**	**(47,641)**
Operating profit - EBIT		**43,397**	**68,863**
Interest income		12	-
Interest expenses		(4,423)	(6,055)
Other financial items	7	1,574	(72)
Net financial items		**(2,837)**	**(6,128)**
Profit before income tax		**40,561**	**62,736**
Income tax expense	8	(261)	(974)
Net profit		**40,300**	**61,761**
Of which attributable to owners of the company		40,300	61,761

The accompanying notes are an integral part of these financial statements

Statement of Comprehensive Income
for the year ended 31 December

USD thousands	Note	2022	2021
Profit / (loss) for the period		**40,300**	**61,761**
Other comprehensive income:			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**40,300**	**61,761**
Total comprehensive income for the period is attributable to:			
Owners of the company		40,300	61,761

The accompanying notes are an integral part of these financial statements

Statement of Financial Position

USD thousands	Note	31.12.2022	31.12.2021	1.1.2021
Assets				
Property, plant and equipment	9	546,910	566,230	580,352
Total non-current assets		**546,910**	**566,230**	**580,352**
Trade receivables		7,771	15,774	11,505
Other current assets	10	8,665	4,319	4,339
Cash and cash equivalents	12	178	697	15,555
Total current assets		**16,614**	**20,791**	**31,398**
Total assets		**563,524**	**587,021**	**611,751**
Equity and liabilities				
Share capital	15	43	43	43
Other contributed capital		160,294	160,294	160,294
Retained earnings		331,532	291,232	229,471
Total equity		**491,869**	**451,570**	**389,808**
Non-current interest-bearing borrowing Group company	18	-	41,682	131,293
Non-current lease liabilities	13	1,615	3,971	-
Total non-current liabilities		**1,615**	**45,653**	**131,293**
Current interest-bearing borrowing Group company	18	50,015	72,000	72,000
Current lease liabilities	13	2,241	2,525	-
Trade payables		3,992	2,117	4,450
Current income tax	8	-	1,000	-
Other current liabilities	10	13,791	12,157	14,199
Total current liabilities		**70,040**	**89,799**	**90,650**
Total liabilities		**71,655**	**135,452**	**221,943**
Total equity and liabilities		**563,524**	**587,021**	**611,751**

The accompanying notes are an integral part of these financial statements

The Board of Odfjell Drilling Shetland Ltd
Aberdeen, United Kingdom, 6 September 2023

Helene Odfjell Director (Sign.)	Kjetil Gjersdal Director (Sign.)	Diane Stephen Director (Sign.)

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Retained earnings	Total equity
Previously reported balance as at 31 December 2020		**43**	**160,294**	**229,471**	**389,808**
Effect of transition to IFRS	2	-	-	-	-
Balance at 1 January 2021		**43**	**160,294**	**229,471**	**389,808**
Profit/(loss) for the period		-	-	61,761	61,761
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	61,761	61,761
Transactions with owners		-	-	-	-
Balance at 31 December 2021		**43**	**160,294**	**291,232**	**451,570**
Profit/(loss) for the period		-	-	40,300	40,300
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	40,300	40,300
Transactions with owners		-	-	-	-
Balance at 31 December 2022		**43**	**160,294**	**331,532**	**491,869**

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		40,561	62,736
Adjustments for:			
Depreciation	9	38,549	36,036
Change in market value fair value derivatives	11	-	1,360
Net interest expense / (income)		4,411	6,055
Net currency loss / (gain) not related to operating activities		54	72
Other provisions and adjustments for non-cash items		(660)	-
Changes in working capital:			
Trade receivables		8,004	(4,270)
Trade payables		1,875	(2,333)
Other accruals and current receivables /payables		(2,712)	(3,656)
Cash generated from operations		***90,081***	***96,000***
Net interest paid		(4,411)	(6,055)
Net income tax (paid) / refunded		(1,261)	299
Net cash flow from operating activities		**84,409**	**90,244**
Cash flows from investing activities:			
Purchase of property, plant and equipment	9	(19,248)	(22,848)
Proceeds from sale of property, plant and equipment		-	7,950
Net cash flow from investing activities		**(19,248)**	**(14,898)**
Cash flows from financing activities:			
Repayment of borrowings group company	18	(63,667)	(89,611)
Repayment of lease liabilities	13	(1,960)	(520)
Net cash from financing activities		**(65,627)**	**(90,131)**
Exchange gains/(losses) on cash and cash equivalents		(54)	(72)
Net change in cash and cash equivalents		**(519)**	**(14,857)**
Cash and cash equivalents at 01.01	12	697	15,555
Cash and cash equivalents at 31.12	12	**178**	**697**

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Notes to the Financial Statements

All amounts are in USD thousands unless otherwise stated.

Note 1 - Basis for preparation

General information
Odfjell Drilling Shetland Ltd is a private company limited by shares and is incorporated and domiciled in the UK (Scotland). The address of its registered office is Bergen House Crawpeel Road, Altens, Aberdeen, AB12 3LG.
The company own the mobile drilling unit, the Deepsea Aberdeen. The Deepsea Aberdeen is a sixth generation deepwater and harsh environment semi-submersible constructed in 2015.

The parent company is Odfjell Rig III Ltd, a private limited liability company registered under the laws of Bermuda with registration number 345961.

The ultimate parent company for all periods presented, Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom. A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements for 2021 and 2022comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Presentation of special purpose financial statements of the company
On 12 May 2023, the parent company Odfjell Rig III placed a USD 390 million retail bond loan (the "Bond Issue" and the "Bonds"), the purpose of which was to refinance certain existing debt related to the drilling rigs Deepsea Aberdeen and Deepsea Atlantic. The issue date was 31 May 2023. The Bond Issue has been guaranteed by Odfjell Drilling Shetland Ltd, as well as certain other companies within the Odfjell Drilling Group. The Bonds shall be listed on the Oslo Børs main list within six month after the issue date, i.e. by 31 November 2023. In this connection, a listing prospectus will be prepared.

Odfjell Drilling Shetland Ltd. have prepared audited financial statements as per and for the years ended 31 December 2022 and 31 December 2021 in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006, (Accounts and Reports) Regulations 2008 (SI 2008/410).

To satisfy the prospectus requirements, the company prepare these audited special purpose financial statements as per and for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU (the "Special Purpose Financial Statements"). The estimates applied in these special purpose financial statements are consistent with the estimates made in the financial statements issued under United Kingdom Accounting Standards.

The special purpose financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures, The special purpose financial statements presented are USD thousands, and were approved by the Board of Directors on 6 September 2023.

The accounting policies outlined in relevant notes and below have been applied consistently for all periods presented in these special purpose financial statements.

Going concern
The company is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the ultimate parent group. Factors that, in the company’s view, could cause actual results to differ materially from the outlook contained in this report are the following: a considerable worsening of the balance between demand and supply, substantial reduction in oil and gas prices, global political changes regarding energy composition, changes in clients’ spending budgets and developments in the financial and fiscal markets.

The cash flow forecasts for the company indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period. The Odfjell Drilling Group's refinancing risk is low.

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.
Hence, the company has adopted the going concern basis in preparing its financial statements.

Basis of measurement
The special purpose financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the special purpose financial statements are disclosed in note 3 - Critical accounting estimates and judgements.

New and amended standards and interpretations effective after 1 January 2022 that have been adopted by the Company
None of the amendments had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 Company. 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.

Summary of significant accouting policies

Foreign currency translation
The national currency of the United Kingdom is (“GBP”), however the reporting currency of the company is the USD – which is also the functional currency as well as the currency of the primary economic environment in which the company operates. Foreign currency transactions are translated into the functional currency (USD) 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’.

Current versus non-current classification
The Company 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
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period, or
• 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
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period, or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Trade receivables
A receivable represents the company'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 11 - Financial assets and liabilities.

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

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.

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.

Note 2 - Transition to IFRS

This is the company's first accounts presented in accordance with IFRS. The accounting principles described in Note 1 - Accounting principles have been applied in the preparation for all periods presented, including in the preparation of the IFRS opening balance sheet 1 January 2021 which is the company's transition date for conversion from United Kingdom Accounting Standards, Financial Reporting Standard 102 ("UK GAAP") to IFRS as adopted by the EU.

The transition from UKGAAP to IFRS has led to changes in presentation as well as adjustments related to application of IFRS 16 Leases for the lease of mooring equipment from Odfjell Technology Invest Ltd. Refer to tables below for an overview of the changes. In addition the Statement of Cash Flow have been prepared for all periods presented. The financial statements issued under UK GAAP did not include any cash flow statements.

Income Statement for the year ended 31.12.2022

USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Operating revenues (Turnover)	**84,331**	**-**	**-**	**84,331**
Depreciation	(36,281)	-	(2,268)	(38,549)
Other operating expenses	(3,773)	(914)	2,302	(2,384)
Operating profit	**44,277**	**(914)**	**35**	**43,397**
Interest income	12	-	-	12
Interest expenses	-	(4,080)	(342)	(4,423)
Net currency gain/(loss)	-	761	660	1,421
Other financial items	(4,080)	4,234	-	153
Net financial items	(4,068)	914	318	(2,837)
Profit before income tax	**40,208**	**0**	**353**	**40,561**
Income tax expense	(261)	-	-	(261)
Net profit	**39,947**	**0**	**353**	**40,300**
Other comprehensive income for the period, net of tax	n/a		-	-
Total comprehensive income for the period	n/a		**-**	**40,300**

Income Statement for the year ended 31.12.2021

USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Operating revenues (Turnover)	**116,505**	**-**	**-**	**116,505**
Depreciation	(35,467)	-	(569)	(36,036)
Other operating expenses	(12,314)	72	636	(11,606)
Operating profit	**68,723**	**72**	**68**	**68,863**
Interest expenses	-	(5,939)	(116)	(6,055)
Net currency gain/(loss)	-	1,113	-	1,113
Other financial items	(5,939)	4,753	-	(1,186)
Net financial items	(5,939)	(72)	(116)	(6,128)
Profit before income tax	**62,784**	**-**	**(49)**	**62,736**
Income tax expense	(974)	-	-	(974)
Net profit	**61,810**	**-**	**(49)**	**61,761**
Other comprehensive income for the period, net of tax	n/a		-	-
Total comprehensive income for the period	n/a		**-**	**61,761**

Statement of Financial Position USD thousands	**31.12.2022** UK GAAP previously reported	**31.12.2022** Reclassifications due to changed presentation	**31.12.2022** Effect of transition to IFRS	**31.12.2022** Special purpose financial statements IFRS
Assets				
Property, plant and equipment	542,750	-	4,160	546,910
Total non-current assets	**542,750**	**-**	**4,160**	**546,910**
Trade receivables	-	7,771	-	7,771
Other current assets	16,436	(7,771)	-	8,665
Cash and cash equivalents	178	-	-	178
Total current assets	**16,614**	**-**	**-**	**16,614**
Total assets	**559,364**	**-**	**4,160**	**563,524**
Equity and liabilities				
Paid in equity	160,337	-	-	160,337
Other equity	331,228	-	304	331,532
Total equity	**491,565**	**-**	**304**	**491,869**
Non-current interest-bearing borrowing Group company	50,015	(50,015)	-	-
Non-current lease liabilities	-	-	1,615	1,615
Total non-current liabilites	**50,015**	**(50,015)**	**1,615**	**1,615**
Current interest-bearing borrowing Group company	-	50,015	-	50,015
Current lease liabilities	-	-	2,241	2,241
Trade payables	-	3,992	-	3,992
Other current liabilities	17,783	(3,992)	-	13,791
Total current liabilities	**17,783**	**50,015**	**2,241**	**70,040**
Total liabilities	**67,799**	**-**	**3,856**	**71,655**
Total equity and liabilities	**559,364**	**-**	**4,160**	**563,524**

Statement of Financial Position	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**
USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Assets				
Property, plant and equipment	559,784	-	6,447	566,230
Total non-current assets	**559,784**	**-**	**6,447**	**566,230**
Trade receivables	-	15,774	-	15,774
Other current assets	20,093	(15,774)	-	4,319
Cash and cash equivalents	697	-	-	697
Total current assets	**20,791**	**-**	**-**	**20,791**
Total assets	**580,574**	**-**	**6,447**	**587,021**
Equity and liabilities				
Paid in equity	160,337	-	-	160,337
Other equity	291,281	-	(49)	291,232
Total equity	**451,618**	**-**	**(49)**	**451,570**
Non-current interest-bearing borrowing Group company	41,682	-	-	41,682
Non-current lease liabilities	-	-	3,971	3,971
Total non-current liabilites	**41,682**	**-**	**3,971**	**45,653**
Current interest-bearing borrowing Group company	72,000	0		72,000
Current lease liabilities	-	-	2,525	2,525
Trade payables	-	2,117	-	2,117
Current income tax	-	1,000	-	1,000
Other current liabilities	15,274	(3,117)	-	12,157
Total current liabilities	**87,274**	**-**	**2,525**	**89,799**
Total liabilities	**128,956**	**-**	**6,495**	**135,452**
Total equity and liabilities	**580,574**	**-**	**6,447**	**587,021**

Statement of Financial Position	**31.12.2020**	**01.01.2021**	**01.01.2021**	**01.01.2021**
USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Assets				
Property, plant and equipment	580,352	-	-	580,352
Other non-current assets	274	(274)		-
Total non-current assets	**580,626**	**(274)**	**-**	**580,352**
Trade receivables	-	11,505	-	11,505
Other current assets	15,570	(11,231)	-	4,339
Cash and cash equivalents	15,555	-	-	15,555
Total current assets	**31,125**	**274**	**-**	**31,398**
Total assets	**611,751**	**-**	**-**	**611,751**
Equity and liabilities				
Paid in equity	160,337	-	-	160,337
Other equity	229,471	-	-	229,471
Total equity	**389,808**	**-**	**-**	**389,808**
Non-current interest-bearing borrowing Group company	131,293	-	-	131,293
Non-current lease liabilities	-	-	-	-
Total non-current liabilites	**131,293**	**-**	**-**	**131,293**
Current interest-bearing borrowing Group company	72,000	-		72,000
Current lease liabilities	-	-	-	-
Trade payables	-	4,450	-	4,450
Other current liabilities	18,650	(4,450)	-	14,199
Total current liabilities	**90,650**	**-**	**-**	**90,650**
Total liabilities	**221,943**	**-**	**-**	**221,943**
Total equity and liabilities	**611,751**	**-**	**-**	**611,751**

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 company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted 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.

- Evaluation of indicators of impairment and/or impairment reversal (Note 9 - Property, plant and equipment)

Note 4 - Revenue

The company own the mobile drilling unit, the Deepsea Aberdeen. The Deepsea Aberdeen is a sixth generation deepwater and harsh environment semi-submersible constructed in 2015.

Following the early termination of Deepsea Aberdeen's contract with BP Exploration on 21 September 2020, the drilling unit was simultaneously awarded a contract by Wintershall Dea Norge AS on the NCS. The Wintershall contract was entered concurrently with the BP termination and as a condition for the effectiveness of the termination. Odfjell Drilling Shetland Ltd has accounted for the above arrangement as a single contract where the termination fee received from BP Exploration is considered part of the revised consideration in the new lease contract with Deep Sea Drilling Company AS.

Deepsea Aberdeen has been on a bareboat charter to the group company Deep Sea Drilling Company AS since 2021
The operating company Deep Sea Drilling Company AS commenced the drilling campaign with Wintershall on the NCS on 19 February 2021 and operated on this contract the rest of the year. The operations with Wintershall were finalized on 25 April 2022. The operations with Equinor on the Breidablikk contract commenced in early May 2022. During 2022, the rig worked on 12 development wells for Equinor.

Company as a lessor
Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The company has only operating leases (bareboat charter) as a lessor.

The bareboat agreement with the operating company is based on a residual model, i.e. the operating contract company ("Charterer") retains a margin on its operating costs in accordance with its functions performed and risks assumed. The daily bareboat hire for the vessels under the charter parties payable by the Charterers to the owners, shall be calculated as the Operating Day Rate (means the daily rate actually earned and received by the Charterers from the customers under the drilling contracts, including bonuses and variable considerations) less the Charterers' Opex (means the Charterers actual monthly operating expenses related to the operation of the vessels), less the Charterers' Profit (means 8% of the Charterers' Opex. There is no minimum payment stated in the agreement. The bareboat revenue is affected by the operating company's revenue recognition, as explained above. Revenue from drilling contracts is generally recognised in the period from commencing a contract and until completion of the drilling programme.

As explained above the lease payments depend on the performance of the vessel as well as operating expenses, and are entirely variable payments. Lease income is recognised as income each period (month) based on the rig performance (rates) and the operating expenses incurred be the lessee.

Revenue from contracts with customers
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it renders services to the customer.

Revenue specification

USD thousands	2022	2021
Bareboat charters (IFRS 16 Leases)	60,125	24,397
Termination fee	24,206	92,108
Operating revenue	**84,331**	**116,505**

Revenue from single customers
As explained above, the bareboat charter represent revenue from Deep Sea Drilling Company AS, while USD 24 million (USD 92 million in 2021) is revenue from BP UK.

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

Note 5 - Personnel expenses

USD thousands	2022	2021
Wage cost		
Salaries and wages	-	353
Employee benefits	-	76
Hired personnel and other personnel expenses	169	244
Total personnel expenses	**169**	**672**

	2022	2021
No. of employees, year ended 31 December	**0**	**0**

The employees are in the administration, working for the rig owning organisations in the Odfjell Drilling Group.

No fees have been paid to members of the Board of Directors.

Note 6 - Operating expenses

USD thousands	Note	2022	2021
Fee to the auditor (excluding VAT):			
Auditor's remuneration - audit of the financial statements		33	51
Other services from auditor		-	-
Other operating expenses:			
Management and service fees	18	1,231	1,220
Insurance		814	769
Stacking hire		-	8,781
Other expenses		137	113
Total operating expenses		**2,215**	**10,933**

Note 7 - Interest expenses and other financial items

Interest expenses:

USD thousands	Note	2022	2021
Interest expenses borrowings related parties	18	(4,003)	(5,939)
Interest expenses lease liabilities	13	(342)	(116)
Other interest expenses		(77)	-
Total interest expenses		**(4,423)**	**(6,055)**

Other financial items:

USD thousands	Note	2022	2021
Guarantee commissions	18	153	174
Net currency gain / (loss)		1,421	1,113
Change in market value fair value derivatives		-	(1,360)
Total other financial items		**1,574**	**(72)**

Note 8 - Income taxes

Accounting policy

Income taxes 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 financial statements. 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.

Income tax reconciliation

USD thousands	2022	2021
Profit before income tax	40,561	62,736
Tax calculated at the standards rate of corporation tax in the UK of 19%	(7,707)	(11,920)
Effect of adjustments recognised related to prior periods	(261)	(1,000)
Effect of amounts not chargable to UK tax *	7,707	11,920
Utilisation of other reliefs	-	26
Total income tax expense	**(261)**	**(974)**

* Deepsea Atlantic is allocated to and operated by the Dubai registered branch of the UK tax resident company. Net profit related to the rig is attributable to the Dubai branch of the company in accordance with the foreign branch exemption, and is therefore not taxable in the UK. There are currently no company income tax for the Dubai branch.

Deferred taxes

The company does not have temporary differences resulting in any deferred taxes.

Note 9 - Property, plant and equipment

Accounting policy
Property, plant and equipment comprise mainly of mobile offshore drilling units and right-of-use mooring 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 company 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.

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.

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.

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). The company only have one CGU representing the mobile offshore drilling unit Deepsea Atlantic. 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.

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2022	663,350	42,642	7,016	713,007
Additions	16,155	3,093	(18)	19,229
Disposal	-	-	-	-
Cost as at 31 December 2022	**679,505**	**45,734**	**6,997**	**732,236**
Accumulated depreciation and impairment				
At 1 January 2022	(131,508)	(14,700)	(569)	(146,777)
Depreciation	(27,049)	(9,232)	(2,268)	(38,549)
Disposals	-	-	-	-
As at 31 December 2022	**(158,557)**	**(23,932)**	**(2,837)**	**(185,326)**
Net book value at 31 December 2022	**520,948**	**21,802**	**4,160**	**546,910**
Useful lifetime	5 - 30 years	5 years	2-3 years	
Depreciation schedule	Straight line	Straight line	Straight line	

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 31 December 2020	653,267	40,002	-	693,269
Effect of transition to IFRS	-	-	-	-
At 1 January 2021	653,267	40,002	-	693,269
Additions	20,209	2,639	7,016	29,864
Disposal	(10,126)	-	-	(10,126)
Cost as at 31 December 2021	**663,350**	**42,642**	**7,016**	**713,007**
Accumulated depreciation and impairment				
At 31 December 2020	(106,758)	(6,159)	-	(112,917)
Effect of transition to IFRS	-	-	-	-
At 1 January 2021	(106,758)	(6,159)	-	(112,917)
Depreciation	(26,926)	(8,541)	(569)	(36,036)
Disposals	2,176	-	-	2,176
As at 31 December 2021	**(131,508)**	**(14,700)**	**(569)**	**(146,777)**
Net book value at 31 December 2021	**531,842**	**27,942**	**6,447**	**566,230**
Useful lifetime	5 - 30 years	5 years	2-3 years	
Depreciation schedule	Straight line	Straight line	Straight line	

The Right-of-use asset relates to leasing of mooring equipment. Refer to Note 13 - Leases for more information.

Assets subject to operating leases

The fixed assets listed above are used in contracts with customers that contain a lease component.

Depreciation drilling unit

Deepsea Aberdeen is depreciated from 21 April 2015. The estimated remaining useful lifetime as at 31 December 2022 is approximately 22.5 years.

Significant judgement and estimation uncertainty

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. Residual values for all property, plant and equipment are estimated to be zero.

The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. The useful lives of assets are reviewed periodically in order to ensure that the 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.

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.
The company has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2022.
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Note 10 - Other assets and liabilities

Other current assets

USD thousands	Note	31.12.2022	31.12.2021	01.01.2021
Derivative financial instruments	11	-	-	1,360
Prepaid corporate income tax	8	-	-	274
Prepaid expenses		369	296	197
VAT receivables		25	88	161
Receivable related parties	18	8,271	3,935	2,339
Other current receivables		-	-	8
Total other current assets		**8,665**	**4,319**	**4,339**

Other current liabilities

USD thousands	Note	31.12.2022	31.12.2021	31.12.2021
Related parties payables	18	13,751	11,786	13,868
Other accrued expenses		40	371	331
Total other current liabilities		**13,791**	**12,157**	**14,199**

Note 11 - Financial assets and liabilities

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, or as
- financial assets at fair value through profit or loss

The Group's financial assets, other than derivatives, are classified, at initial recognition, as financial assets subsequently measured at amortised cost.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at:
- amortised cost, or as
- fair value through profit or loss.

The Group's financial liabilities, other than derivatives, are classified, at initial recognition, as financial liabilities subsequently measured at amortised cost.

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,

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

USD thousands	Note	Level	31.12.2022	31.12.2021	01.01.2021
Financial assets at fair value through profit or loss					
Derivatives not designated as hedging instruments					
- Foreign exchange forward contracts - Other current assets		2		-	1,360
Other financial assets					
- Trade receivables			7,771	15,774	11,505
- Current receivables related parties	18		8,271	3,935	2,339
- Other financial current assets	10		-	-	8
- Cash and cash equivalents	12		178	697	15,555
Total assets as at 31.12			**16,220**	**20,407**	**30,767**

USD thousands	Note	Level	31.12.2022	31.12.2021	31.12.2021
Other financial liabilities					
- Non-current interest-bearing borrowing Group company	18		-	41,682	131,293
- Non-current lease liabilities	13		1,615	3,971	-
- Current interest-bearing borrowing Group company	18		50,015	72,000	72,000
- Current lease liabilities	13		2,241	2,525	-
- Trade payables			3,992	2,117	4,450
- Current liabilities related parties	18		13,751	11,786	13,868
- Other current financial liabilities			40	371	331
Total liabilities as at 31.12.			**71,655**	**134,452**	**221,943**

Note 12 - Cash and bank deposits

Accounting policy
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 thousands	31.12.2022	31.12.2021	01.01.2022
Current account NOK	21	69	805
Current account USD	138	418	13,560
Current account GBP	19	211	1,190
Total cash and bank deposits	**178**	**697**	**15,555**

None of the bank deposits are restricted.

Note 13 - Leases

The group's leasing activities as a lessee and how these are accounted for
This note relates to the company as a lessee only.
The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group. The rental contract started 1 October 2021 for a period equal to the firm period of Deepsea Aberdeen's drilling contract. The rental contract have options to extend to reflect any options executed in the underlying drilling contract. The lease payments are in NOK.

The lease agreement 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.

Significant judgement and estimation uncertainty
The management apply judgement when estimating the lease period, as the lease period is dependent on the duration of the drilling contract for the rig.

Right-of-use assets
Refer to Note 9 - Tangible fixed assets for information about the right-of-use assets.

Lease liabilities

USD thousands	31.12.2022	31.12.2021	01.01.2021
Non-current	1,615	3,971	-
Current	2,241	2,525	-
Total	**3,856**	**6,495**	**-**

Movements in lease liabilities are analysed as follows:

Movements in lease liabilities in 2022 are analysed as follows:	Non-current	Current	Total
USD thousands	2022	2022	2022
Carrying amount as at 1 January	3,971	2,525	6,495
Cash flows:			
Payments for the principal portion of the lease liability	-	(1,960)	(1,960)
Payments for the interest portion of the lease liability	-	(342)	(342)
Non-cash flows:			
New lease liabilities recognised in the year	(18)	-	(18)
Interest expense on lease liabilities	342	-	342
Reclassified to current portion of lease liabilities	(2,249)	2,249	-
Currency exchange differences	(430)	(230)	(660)
Carrying amount as at 31 December	**1,615**	**2,241**	**3,856**

Movements in lease liabilities in 2021 are analysed as follows:	Non-current	Current	Total
USD thousands	2021	2021	2021
Carrying amount as at 1 January	-	-	-
Cash flows:			
Payments for the principal portion of the lease liability	-	(520)	(520)
Payments for the interest portion of the lease liability	-	(116)	(116)
Non-cash flows:			
New lease liabilities recognised in the year	7,016		7,016
Interest expense on lease liabilities	116		116
Reclassified to current portion of lease liabilities	(3,161)	3,161	-
Currency exchange differences	-	-	-
Carrying amount as at 31 December	**3,971**	**2,525**	**6,495**

Extention options
Refer to information above about the extention options. As at 31 December 2022, potential future cash outflows of USD 4 million (not discounted) have not been included in the lease liability because it is not reasonable certain that the lease will be extended.

Note 14 - Financial risk management

Capital management and funding

The company is part of the Odfjell Drilling Ltd. Group ("Group"), and thereby part of the Group's capital and management funding policies. 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 longterm down-cycles in our markets and unfavourable conditions in financial markets.

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 company may distribute dividend to the parent company, or receive additional funding from the Group when needed.

USD thousands	31.12.2022	31.12.2021	01.01.2022
Equity	491,869	451,570	389,808
Total assets	563,524	587,021	611,751
Equity ratio	**87 %**	**77 %**	**64 %**

Financial risk factors

The company is exposed to a range of financial risks: liquidity risk, market risk (including currency risk, interest rate risk, and price risk), and credit risk.
Risk management is carried out on a Odfjell Drilling Ltd 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.

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Liquidity risk

The company's objective is to maintain a balance between continuity of funding 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 capital investment committments, without unacceptable loss or risk of damaging the Group's reputation.
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through intercompany loans 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 and company's liquidity requirements to ensure both has sufficient cash to meet operational needs at all times. 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 abovementioned forecasts.
The liquidity risk is connected with the market risk and the re-contracting risk for Deepsea Atlantic. The management continuously focuses on securing new profitable contracts for the mobile drilling unit to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

The amounts disclosed in the tables below are the contractual non-discounted cash flows.

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
- Interest-bearing borrowing group company	26,935	24,464	-	-	-	51,399	50,015
- Lease liabilities	1,111	1,130	1,873	-	-	4,114	3,856
- Trade payables	3,992	-	-	-	-	3,992	3,992
- Current liabilities related parties	13,751	-	-	-	-	13,751	13,751
- Other current financial liabilities	40	-	-	-	-	40	40

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
- Interest-bearing borrowing group company	38,124	37,452	43,240	-	-	118,816	113,682
- Lease liabilities	1,262	1,262	1,446	-	-	3,971	6,495
- Trade payables	2,117	-	-	-	-	2,117	2,117
- Current liabilities related parties	11,786	-	-	-	-	11,786	11,786
- Other current financial liabilities	371	-	-	-		371	371

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 company's mobile drilling unit is limited in 2023, as explained below.

Deepsea Aberdeen is currently on a longterm 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 bareboat agreement is in USD.

Climate Risk

During 2022, a project was undertaken at Group level 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.

Foreign exchange risk

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 company has limited exposure tto risks due to fluctuations in exchange rates.

Foreign exchange risk - Exposure 31.12.2022

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	21	19	-
Lease liabilities	3,856	-	-
Trade payables	190	37	-

Foreign exchange risk - Exposure 31.12.2021

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	69	211	-
Lease liabilities	6,495	-	-
Trade payables	-	2	-
Other current liabilities	-	371	-

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

USD thousands	2022	2021
Net currency gain / (loss) included in financial items	1,421	1,113

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

Sensitivity to changes in USD/NOK exchange rates 31.12.2022

USD thousands	USD is strengthened by 20% against NOK	USD is strengthened by 10% against NOK	USD is weakened by 10% against NOK	USD is weakened by 20% against NOK
Cash and cash equivalents	(3)	(2)	2	5
Lease liabilities	643	351	(428)	(964)
Trade payables	32	17	(21)	(48)
Net effect on profit before taxes	**671**	**366**	**(447)**	**(1,006)**

Sensitivity to changes in USD/NOK exchange rates 31.12.2021

USD thousands	USD is strengthened by 20% against NOK	USD is strengthened by 10% against NOK	USD is weakened by 10% against NOK	USD is weakened by 20% against NOK
Cash and cash equivalents	(11)	(6)	8	17
Lease liabilities	1,083	590	(722)	(1,624)
Trade payables	-	-	-	-
Net effect on profit before taxes	**1,071**	**584**	**(714)**	**(1,607)**

Interest rate risk

The company is exposed to interest changes related to the variable rate borrowings from the Parent company.
The result of the calculation on sensitivities returns the following expected values:

• If interest rate is increased by 1.0 %, the effect would be an increase in financing costs of approximately USD 0.4 million for the next 12 months as at 31 December 2022, compared to USD 1.4 million at 31 December 2021.

Credit risk

None of the trade receivables or other current receivables were overdue as at 31 December 2021 or 31 December 2022.
No impairment losses have been recognised in 2021 or 2022, and none are expected to be recognised in 2023.

Note 15 - Share capital and shareholder information

	No.of shares	Nominal value	31.12.2022 USD	31.12.2021 USD
Ordinary shares - allotted, issued and fully paid	30,001	GBP 1	43,235	43,235
Total share capital			**43,235**	**43,235**

There has been no changes in the share capital during 2021 and 2022.

Odfjell Rig III Ltd, a company in the Odfjell Drilling group, owns all the shares in the company.

Accounting policy - dividends

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.

Dividends

No dividends will be distributed for the year ended 31 December 2022, nor was any dividend distributed for the year ended 2021. No dividends have been recommended during the year or up to the date of signing of the financial statements.

Note 16 - Guarantees and security

On 1 June 2023 the parent company Odfjell Rig III repaid their loan facilites and all related pledges and mortgages for the rig Deepsea Aberdeen were released.

The Company is guarantor, and the rig Deepsea Aberdeen is pledged as security for Odfjell Rig III Ltd's 5-year senior secured first lien bond of USD 390 million issued in May 2023.

Note 17 - Commitments

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

USD thousands	31.12.2022	31.12.2021
Rig investments	2,034	2,512

Note 18 - Related parties - transactions, receivables and payables

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.

USD thousands

Income from related parties

Type of transaction	Related party	Relation	2022	2021
Bareboat charter	Deep Sea Drilling Company AS	Group company	60,125	24,397
Guarantee provision	Odfjell Rig III Ltd	Parent company	153	174
Total			**60,278**	**24,571**

Related parties expenses

Type of transaction	Related party	Relation	2022	2021
Management fee / Service fee	Odfjell Drilling AS	Group company	(1,095)	(1,095)
Management fee / Service fee	Companies in Odfjell Drilling Ltd Group	Group company	(136)	(125)
Interest expenses borrowings	Odfjell Rig III Ltd	Parent company	(4,003)	(5,939)
Total			**(5,234)**	**(7,160)**

Movements in interest bearing borrowings Group companies are analysed as follows:

USD thousands	2022 Non-current	2022 Current	2022 Total	2021 Non-current	2021 Current	2021 Total
Carrying amount as at 1 January	41,682	72,000	**113,682**	131,293	72,000	**203,293**
Cash flows:						
Repayment of loan	-	(63,667)	(63,667)	(17,611)	(72,000)	(89,611)
Non-cash flows:						
Reclassifications	(41,682)	41,682	-	(72,000)	72,000	-
Carrying amount as at 31 December	**-**	**50,015**	**50,015**	**41,682**	**72,000**	**113,682**

The above amount relates to a loan from another Odfjell Group entity, Odfjell Rig III Ltd. The loan is interest bearing (LIBOR+ a margin of 3.5 % p.a) from 11 December 2018. The loan had an original monthly repayment of USD 6,000,000. However, effective from 10 August 2022, the maturity date of the loan is extended to 31 January 2024 at the latest, and the monthly repayments were adjusted accordingly to USD 4,333,333.

Current receivables and liabilities related parties

Type of transaction	Related party	Relation	2022	2021
Trade receivables	Deep Sea Drilling Company AS	Group company	7,771	2,785
Other current receivables	Deep Sea Drilling Company AS	Group company	8,271	3,935
Trade payables	Deep Sea Drilling Company AS	Group company	(3,507)	(1,669)
Trade payables	Other companies in Odfjell Drilling Group	Group company	-	(275)
Other current payables	Deep Sea Drilling Company AS	Group company	(6,792)	(1,125)
Other current payables	Other companies in Odfjell Drilling Group	Group company	(6,959)	(10,025)
Trade and other payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(190)	(638)
Net current payables related parties			**(1,407)**	**(7,012)**

Lease agreements with related parties

The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group, which is related to the main shareholder. Refer to Note 13 - Leases for further information.

Note 19 - Important events occurring after the reporting period

Refer to Note 16 for information about changes in guarantees and securities effective from 1 June 2023.

There have been no other events after the balance sheet date with material effect on the financial statements ended 31 December 2021 and 2022.

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To the Board of Directors of Odfjell Drilling Shetland Ltd.

Independent Auditor's Report

Opinion

We have audited the special purpose financial statements of Odfjell Drilling Shetland Ltd. (the Company), which comprise the statement of financial position as at 31 December 2022 and 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the years then ended, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion

- the special purpose financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and 31 December 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by EU.

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 Special Purpose Financial Statements* section of our report. We are independent of the Company 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.

Responsibilities of the Board of Directors for the Special Purpose Financial Statements

The Board of Directors (management) is responsible for the preparation of the special purpose 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 special purpose financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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 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 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 to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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.

Bergen, 11 September 2023
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2023-09-11 12:09:03 UTC

H1 2023

Odfjell Drilling Shetland Ltd.

Interim
Financial Report

for the first half of 2023

Condensed Income Statement
for the interim period

USD thousands	Note	First half 2023	First half 2022	Full year 2022
Operating revenues	2	**36,920**	**42,835**	**84,331**
Other gains and losses		-	-	-
Personnel expenses		(121)	(31)	(169)
Depreciation		(19,990)	(19,354)	(38,549)
Other operating expenses		(1,031)	(1,158)	(2,215)
Operating profit - EBIT		**15,778**	**22,291**	**43,397**
Net financial items		(846)	(766)	(2,837)
Profit before income tax		**14,932**	**21,525**	**40,561**
Income tax expense		-	-	(261)
Net profit		**14,932**	**21,525**	**40,300**

Condensed Statement of Comprehensive Income
for the interim period

USD thousands	Note	First half 2023	First half 2022	Full year 2022
Profit / (loss) for the period		**14,932**	**21,525**	**40,300**
Other comprehensive income:				
Total		-	-	-
Other comprehensive income for the period, net of tax		**-**	**-**	**-**
Total comprehensive income for the period		**14,932**	**21,525**	**40,300**

Condensed Statement of Financial Position

USD thousands	Note	30.06.2023	30.06.2022	31.12.2022
Assets				
Property, plant and equipment	3	525,609	553,547	546,910
Total non-current assets		**525,609**	**553,547**	**546,910**
Trade receivables		2,949	5,960	7,771
Other current assets		3,428	6,580	8,665
Cash and cash equivalents		3,590	435	178
Total current assets		**9,967**	**12,975**	**16,614**
Total assets		**535,576**	**566,523**	**563,524**
Equity and liabilities				
Share capital	6	43	43	43
Other contributed capital		160,294	160,294	160,294
Retained earnings		346,465	312,758	331,532
Total equity		**506,802**	**473,095**	**491,869**
Non-current lease liabilities	4	1,554	2,574	1,615
Non-current interest-bearing borrowing Group	9	-	5,682	-
Total non-current liabilities		**1,554**	**8,256**	**1,615**
Current interest-bearing borrowing Group	9	24,015	72,000	50,015
Current lease liabilities	4	2,054	2,224	2,241
Trade payables		268	6,711	3,992
Other current liabilities		884	4,236	13,791
Total current liabilities		**27,221**	**85,171**	**70,040**
Total liabilities		**28,775**	**93,427**	**71,655**
Total equity and liabilities		**535,576**	**566,523**	**563,524**

The Board of Odfjell Drilling Shetland Ltd
Aberdeen, United Kingdom, 6 September 2023

Helene Odfjell	Kjetil Gjersdal	Diane Stephen
Director	Director	Director
(Sign.)	(Sign.)	(Sign.)

Condensed Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022		**43**	**160,294**	**-**	**291,232**	**451,570**
Profit/(loss) for the period		-	-	-	21,525	21,525
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	21,525	21,525
Balance at 30 June 2022		**43**	**160,294**	**-**	**312,758**	**473,095**
Profit/(loss) for the second half of 2022		-	-	-	18,774	18,774
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the second half of 2022		-	-	-	18,774	18,774
Balance at 31 December 2022		**43**	**160,294**	**-**	**331,532**	**491,869**
Profit/(loss) for the period		-	-	-	14,932	14,932
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	14,932	14,932
Balance at 30 June 2023		**43**	**160,294**	**-**	**346,465**	**506,802**

Consensed Statement of Cash Flow
for the interim period

USD thousands	Note	Six months ending 30 June 2023	Six months ending 30 June 2022	Full year 2022
Cash flow from operating activities:				
Profit/(loss) before tax		14,932	21,525	40,561
Adjustments for provisions and non-cash items		21,474	20,822	42,354
Changes in working capital		(6,573)	3,226	7,167
Cash generated from operations		***29,833***	***45,574***	***90,081***
Net interest paid		(1,651)	(2,145)	(4,411)
Net income tax paid		-	-	(1,261)
Net cash flow from operating activities		**28,182**	**43,429**	**84,409**
Cash flows from investing activities:				
Purchase of property, plant and equipment	3	(3,552)	(6,689)	(19,248)
Proceeds from grants		5,843	-	-
Net cash flow from investing activities		**2,291**	**(6,689)**	**(19,248)**
Cash flows from financing activities:				
Repayment of borrowings group company		(26,000)	(36,000)	(63,667)
Repayment of lease liabilities	4	(915)	(999)	(1,960)
Net cash from financing activities		**(26,915)**	**(36,999)**	**(65,627)**
Exchange gains/(losses) on cash and cash equivalents		(146)	(2)	(54)
Net change in cash and cash equivalents		**3,412**	**(262)**	**(519)**
Cash and cash equivalents at 01.01		178	697	697
Cash and cash equivalents at 31.12		**3,590**	**435**	**178**

Note 1 - Accounting Principles

General information

Odfjell Drilling Shetland Ltd is a private company limited by shares and is incorporated and domiciled in the UK (Scotland). The address of its registered office is Bergen House Crawpeel Road, Altens, Aberdeen, AB12 3LG.
The company own the mobile drilling unit, the Deepsea Aberdeen. The Deepsea Aberdeen is a sixth generation deepwater and harsh environment semi-submersible constructed in 2015.

The parent company is Odfjell Rig III Ltd, a private limited liability company registered under the laws of Bermuda with registration number 345961.

The ultimate parent company Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom. A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

These interim financial statements were approved by the Board of Directors on 6 September 2023 and have not been audited.

Basis for preparation

On 12 May 2023, the new parent company Odfjell Rig III placed a USD 390 million retail bond loan (the "Bond Issue" and the "Bonds"), the purpose of which was to refinance certain existing debt related to the drilling rigs Deepsea Aberdeen and Deepsea Atlantic. The issue date was 31 May 2023. The Bond Issue has been guaranteed by Odfjell Drilling Shetland Ltd, as well as certain other companies within the Odfjell Drilling Group. The Bonds shall be listed on the Oslo Børs main list within six month after the issue date, i.e. by 31 November 2023. In this connection, a listing prospectus will be prepared.

To satisfy the prospectus requirements, the Company have prepared audited special purpose financial statements as per and for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU (the "Special Purpose Financial Statements"). A copy of the Special Purpose Financial Statements can be obtained from the Company's head office in Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

These condensed interim financial statements for the six months period ended 30 June 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 thespecial purpose financial statements for the year ended 31 December 2022.

Accounting principles

The accounting principles adopted are consistent with those of the previous financial year presented in the Special Purpose Financial Statements.

Note 2 - Revenue

Revenue specification

USD thousands	H1 2023	H1 2022	FY 2022
Bareboat charters (IFRS 16 Leases)	36,920	18,629	60,125
Revenue from contracts with customers (IFRS 15)	-	24,206	24,206
Operating revenue	**36,920**	**42,835**	**84,331**

Disaggregation of revenue by primary geographical markets

All revenue is related to operations on the Norwegian Continental shelf and is therefore allocated to Norway.

Note 3 - Property, plant and equipment

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2023	679,505	45,734	6,997	732,236
Additions*	(4,915)	2,624	980	(1,311)
Cost as at 30 June 2023	**674,590**	**48,358**	**7,977**	**730,925**
Accumulated depreciation and impairment				
At 1 January 2023	(158,557)	(23,932)	(2,837)	(185,326)
Depreciation	(14,226)	(4,743)	(1,021)	(19,990)
As at 30 June 2023	**(172,783)**	**(28,675)**	**(3,857)**	**(205,316)**
Net book value at 30 June 2023	**501,807**	**19,683**	**4,119**	**525,609**
Useful lifetime	5 - 30 years	5 years	2-3 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.

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

Note 4 - Leases

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 3.

Lease liabilities

USD thousands	30.06.2023	30.06.2022	31.12.2022
Non-current	1,554	2,574	1,615
Current	2,054	2,224	2,241
Total	**3,608**	**4,798**	**3,856**

Movements in lease liabilities are analysed as follows:

	Non-current	Current	Total
USD thousands	30.06.2023	30.06.2023	30.06.2023
Carrying amount as at 1 January	1,615	2,241	3,856
Cash flows:			
Payments for the principal portion of the lease liability	-	(915)	(915)
Payments for the interest portion of the lease liability	-	(123)	(123)
Non-cash flows:			
New lease liabilities recognised in the year	980	-	980
Interest expense on lease liabilities	123	-	123
Reclassified to current portion of lease liabilities	(1,025)	1,025	-
Currency exchange differences	(139)	(174)	(313)
Carrying amount as 30 June 2023	**1,554**	**2,054**	**3,608**

Note 5 - Financial risk management and financial instruments

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

USD thousands	Note	Level	30.06.2023	30.06.2022	31.12.2022
Other financial assets					
- Trade receivables			2,949	5,960	7,771
- Current receivables related parties	9		3,342	6,415	8,271
- Cash and cash equivalents			3,590	435	178
Total assets as at 31.12			**9,882**	**12,810**	**16,220**

USD thousands	Note	Level	30.06.2023	30.06.2022	31.12.2022
Other financial liabilities					
- Interst bearing borrowings Group	9		24,015	77,682	50,015
- Non-current lease liabilities	4		1,554	2,574	1,615
- Current lease liabilities	4		2,054	2,224	2,241
- Trade payables			268	6,711	3,992
- Current liabilities related parties	9		781	3,146	13,751
- Other current financial liabilities			103	90	40
Total liabilities as at 31.12.			**28,775**	**92,427**	**71,655**

Note 6 - Share capital and shareholder information

	No.of shares	Nominal value	30.06.2023 USD	31.12.2022 USD
Ordinary shares - allotted, issued and fully paid	30,001	GBP 1	43,235	43,235
Total share capital			**43,235**	**43,235**

There has been no changes in the share capital during 2023.

Odfjell Rig III Ltd owns all the shares in the company.

Dividends

The company has not paid any dividends in 2023.

Note 7 - Guarantees and security

The Company is guarantor, and the rig Deepsea Aberdeen is pledged as security for Odfjell Rig III Ltd's 5-year senior secured first lien bond of USD 390 million issued in May 2023.

Note 8 - Commitments

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

USD thousands	30.06.2023	31.12.2022
Rig investments	3,762	2,034

Note 9 - Related parties - transactions, receivables and payables

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.

USD thousands

Revenue from related parties

Type of transaction	Related party	Relation	YTD 2023	YTD 2022
Bareboat charter	Deep Sea Drilling Company AS	Group company	36,920	18,629
Total			**36,920**	**18,629**

Related parties expenses

Type of transaction	Related party	Relation	YTD 2023	YTD 2022
Management fee / Service fee	Odfjell Drilling AS	Group company	(543)	(543)
Management fee / Service fee	Company in Odfjell Drilling Ltd Group	Related to main shareholder	(75)	(70)
Interest expenses borrowings	Odfjell Rig III Ltd	Parent company	(1,564)	(1,950)
Total			**(2,182)**	**(2,562)**

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

Interest bearing borrowings Group companies

USD thousands	Non-current	Current	Total
Carrying amount as at 1 January 2023	-	50,015	**50,015**
Cash flows:			
Repayment of loan	-	(26,000)	(26,000)
Carrying amount as at 30 June 2023	**-**	**24,015**	**24,015**

Current receivables and liabilities related parties:

Type of transaction	Related party	Relation	30.06.2023	31.12.2022
Trade receivables	Companies in Odfjell Drilling Group	Group company	2,949	7,771
Other current receivables	Companies in Odfjell Drilling Group	Group company	3,342	8,271
Trade payables	Companies in Odfjell Drilling Group	Group company	(94)	(3,507)
Other current payables	Companies in Odfjell Drilling Group	Group company	(781)	(13,751)
Trade and other payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(168)	(190)
Net current payables related parties			**5,248**	**(1,407)**

Lease agreements with related parties

The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group, which is related to the main shareholder. Refer to Note 4 - Leases for further information.

Note 10 - Important events occurring after the reporting period

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

Appendix P – Annual and Interim Financial Statements for Deep Sea Atlantic (UK) Ltd.

Annual accounts 2021 and 2022

Deep Sea Atlantic (UK) Ltd.

Special Purpose
Financial Statements

for the years ended 31 December 2021 and
31 December 2022

Income Statement
for the year ended 31 December

USD thousands	Note	2022	2021
Operating revenues	4	**57,599**	**53,179**
Other gains and losses	7	14	-
Personnel expenses	5	(949)	(968)
Depreciation	9	(44,458)	(40,725)
Other operating expenses	6	(2,363)	(2,375)
Total operating expenses		**(47,770)**	**(44,068)**
Operating profit - EBIT		**9,843**	**9,111**
Interest income		17	1
Interest expenses		(166)	(60)
Other financial items	7	598	474
Net financial items		**449**	**416**
Profit before income tax		**10,293**	**9,527**
Income tax expense	8	-	-
Net profit		**10,293**	**9,527**
Of which attributable to owners of the company		10,293	9,527

The accompanying notes are an integral part of these financial statements

Statement of Comprehensive Income
for the year ended 31 December

USD thousands	Note	2022	2021
Profit / (loss) for the period		**10,293**	**9,527**
Other comprehensive income:			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**10,293**	**9,527**
Total comprehensive income for the period is attributable to:			
Owners of the company		10,293	9,527

The accompanying notes are an integral part of these financial statements

Statement of Financial Position

USD thousands	Note	31.12.2022	31.12.2021	1.1.2021
Assets				
Property, plant and equipment	9	391,209	425,714	460,496
Total non-current assets		**391,209**	**425,714**	**460,496**
Trade receivables		181	3,637	3,910
Other current assets	10	5,131	4,477	3,122
Cash and cash equivalents	12	707	4,267	888
Total current assets		**6,020**	**12,381**	**7,920**
Total assets		**397,228**	**438,094**	**468,415**
Equity and liabilities				
Share capital	15	0	0	0
Other contributed capital		274,016	274,016	274,016
Retained earnings		93,099	122,806	163,279
Total equity		**367,115**	**396,822**	**437,295**
Non-current lease liabilities	13	165	941	-
Total non-current liabilities		**165**	**941**	**-**
Current lease liabilities	13	1,995	2,248	-
Trade payables		613	1,598	335
Other current liabilities	10	27,339	36,486	30,786
Total current liabilities		**29,948**	**40,332**	**31,120**
Total liabilities		**30,114**	**41,273**	**31,120**
Total equity and liabilities		**397,228**	**438,094**	**468,415**

The accompanying notes are an integral part of these financial statements

The Board of Deep Sea Atlantic (UK) Ltd
Aberdeen, United Kingdom, 6 September 2023

Helene Odfjell Director (Sign.)	Kjetil Gjersdal Director (Sign.)	Diane Stephen Director (Sign.)

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Retained earnings	Total equity
Previously reported balance as at 31 December 2020		**0**	**274,016**	**163,279**	**437,295**
Effect of transition to IFRS	2	-	-	-	-
Balance at 1 January 2021		**0**	**274,016**	**163,279**	**437,295**
Profit/(loss) for the period		-	-	9,527	9,527
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	9,527	9,527
Dividends to owners of the company		-	-	(50,000)	(50,000)
Transactions with owners		-	-	(50,000)	(50,000)
Balance at 31 December 2021		**0**	**274,016**	**122,806**	**396,822**
Profit/(loss) for the period		-	-	10,293	10,293
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	10,293	10,293
Dividends to owners of the company		-	-	(40,000)	(40,000)
Transactions with owners		-	-	(40,000)	(40,000)
Balance at 31 December 2022		**0**	**274,016**	**93,099**	**367,115**

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		10,293	9,527
Adjustments for:			
Depreciation	9	44,458	40,725
Net interest expense / (income)		149	59
Net gain on sale of tangible fixed assets		(14)	-
Net currency loss / (gain) not related to operating activities		(28)	11
Other provisions and adjustments for non-cash items		(283)	-
Changes in working capital:			
Trade receivables		3,456	273
Trade payables		(985)	1,264
Other accruals and current receivables /payables		(9,801)	4,345
Cash generated from operations		***47,245***	***56,203***
Net interest paid		(149)	(59)
Net cash flow from operating activities		**47,096**	**56,144**
Cash flows from investing activities:			
Purchase of property, plant and equipment	9	(8,981)	(12,218)
Proceeds from grants	9	-	4,620
Proceeds from sale of property, plant and equipment		181	5,350
Net cash flow from investing activities		**(8,800)**	**(2,248)**
Cash flows from financing activities:			
Repayment of lease liabilities	13	(1,884)	(507)
Dividends paid	15	(40,000)	(50,000)
Net cash from financing activities		**(41,884)**	**(50,507)**
Exchange gains/(losses) on cash and cash equivalents		28	(11)
Net change in cash and cash equivalents		**(3,560)**	**3,379**
Cash and cash equivalents at 01.01	12	4,267	888
Cash and cash equivalents at 31.12	12	**707**	**4,267**

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Notes to the Financial Statements

All amounts are in USD thousands unless otherwise stated.

Note 1 - Basis for preparation

General information

Deep Sea Atlantic (UK) Ltd is a private company limited by shares and is incorporated and domiciled in England, UK. The address of its registered office is Harbour Court Compass Road, North Harbour, Portsmouth, Hampshire, England, PO6 4ST.
The company own the mobile drilling unit, the Deepsea Atlantic. The Deepsea Atlantic is a sixth generation deepwater and harsh environment semi-submersible constructed in 2009.

The parent company during 2021 and 2022 was Odfjell Invest Ltd, a private limited liability company registered under the laws of Bermuda with registration number 37838. 25 May 2023 the shares in Deep Sea Atlantic (UK) Ltd was sold to Odfjell Rig III Ltd., a private limited liability company registered under the laws of Bermuda with registration number 45961.

The ultimate parent company for all periods presented, Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom. A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements for 2021 and 2022 comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

Presentation of special purpose financial statements of the company

On 12 May 2023, the new parent company Odfjell Rig III placed a USD 390 million retail bond loan (the "Bond Issue" and the "Bonds"), the purpose of which was to refinance certain existing debt related to the drilling rigs Deepsea Aberdeen and Deepsea Atlantic. The issue date was 31 May 2023. The Bond Issue has been guaranteed by Deep Sea Atlantic (UK) Ltd, as well as certain other companies within the Odfjell Drilling Group. The Bonds shall be listed on the Oslo Børs main list within six month after the issue date, i.e. by 31 November 2023. In this connection, a listing prospectus will be prepared.

Deep Sea Atlantic (UK) Ltd. have prepared audited financial statements as per and for the years ended 31 December 2022 (approved 2 June 2023) and 31 December 2021 (approved 29 May 2022) in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006, (Accounts and Reports) Regulations 2008 (SI 2008/410).

To satisfy the prospectus requirements, the Company prepare these audited special purpose financial statements as per and for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU (the "Special Purpose Financial Statements"). The estimates applied in these special purpose financial statements are consistent with the estimates made in the financial statements issued under United Kingdom Accounting Standards.

The special purpose financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures. The special purpose financial statements are presented in USD thousands, and were approved by the Board of Directors on 6 September 2023.

The accounting policies outlined in relevant notes and below have been applied consistently for all periods presented in these special purpose financial statements.

Going concern

The company is part of Odfjell Drilling Ltd. Group and therefore affected by going concern factors for the ultimate parent group. Factors that, in the company’s view, could cause actual results to differ materially from the outlook contained in this report are the following: a considerable worsening of the balance between demand and supply, substantial reduction in oil and gas prices, global political changes regarding energy composition, changes in clients’ spending budgets and developments in the financial and fiscal markets.

The cash flow forecasts for the company indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period. The Odfjell Drilling Group's refinancing risk is low.

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.
Hence, the company has adopted the going concern basis in preparing its financial statements.

Basis of measurement
The special purpose financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the special purpose financial statements are disclosed in note 3 - Critical accounting estimates and judgements.

New and amended standards and interpretations effective after 1 January 2022 that have been adopted by the Company
None of the amendments had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 Company. 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.

Summary of significant accouting policies

Foreign currency translation
Foreign currency transactions are translated into the functional currency (USD) 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'.

Current versus non-current classification
The Company 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
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period, or
• 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
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period, or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Trade receivables
A receivable represents the company'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 11 - Financial assets and liabilities.

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

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.

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.

Note 2 - Transition to IFRS

This is the company's first accounts presented in accordance with IFRS. The accounting principles described in Note 1 - Accounting principles have been applied in the preparation for all periods presented, including in the preparation of the IFRS opening balance sheet 1 January 2021 which is the company's transition date for conversion from United Kingdom Accounting Standards, Financial Reporting Standard 102 ("UK GAAP") to IFRS as adopted by the EU.

The transition from UKGAAP to IFRS has led to changes in presentation as well as adjustments related to application of IFRS 16 Leases for the lease of mooring equipment from Odfjell Technology Invest Ltd. Refer to tables below for an overview of the changes. In addition the Statement of Cash Flow have been prepared for all periods presented. The financial statements issued under UK GAAP did not include any cash flow statements.

Income Statement for the year ended 31.12.2022

USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Operating revenues (Turnover)	**57,613**	**(14)**	**-**	**57,599**
Other gains and losses	-	14		14
Depreciation	(42,449)	-	(2,009)	(44,458)
Other operating expenses	(5,047)	(315)	2,050	(3,312)
Operating profit	**10,117**	**(315)**	**41**	**9,843**
Interest income	17	-	-	17
Interest expenses	-	-	(166)	(166)
Net currency gain/(loss)	-	34	283	317
Other financial items	-	281	-	281
Net financial items	17	315	117	449
Profit before income tax	**10,135**	**-**	**158**	**10,293**
Income tax expense	-	-	-	-
Net profit	**10,135**	**-**	**158**	**10,293**
Other comprehensive income for the period, net of tax	n/a		-	-
Total comprehensive income for the period	n/a		**-**	**10,293**

Income Statement for the year ended 31.12.2021

USD thousands	UK GAAP previously reported	Reclassifications due to changed presentation	Effect of transition to IFRS	Special purpose financial statements IFRS
Operating revenues (Turnover)	**53,179**	**-**	**-**	**53,179**
Other gains and losses	-	-		-
Depreciation	(40,197)	-	(528)	(40,725)
Other operating expenses	(3,435)	(474)	567	(3,343)
Operating profit	**9,547**	**(474)**	**39**	**9,111**
Interest income	1		-	1
Interest expenses	-		(60)	(60)
Net currency gain/(loss)	-	136	-	136
Other financial items	-	339	-	339
Net financial items	1	474	(60)	416
Profit before income tax	**9,548**	**-**	**(21)**	**9,527**
Income tax expense	-	-	-	-
Net profit	**9,548**	**-**	**(21)**	**9,527**
Other comprehensive income for the period, net of tax	n/a		-	-
Total comprehensive income for the period	n/a		**-**	**9,527**

Statement of Financial Position USD thousands	31.12.2022 UK GAAP previously reported	31.12.2022 Reclassifications due to changed presentation	31.12.2022 Effect of transition to IFRS	31.12.2022 Special purpose financial statements IFRS
Assets				
Property, plant and equipment	388,911	-	2,298	391,209
Total non-current assets	**388,911**	**-**	**2,298**	**391,209**
Trade receivables	-	181	-	181
Other current assets	5,312	(181)	-	5,131
Cash and cash equivalents	707	-	-	707
Total current assets	**6,020**	**-**	**-**	**6,020**
Total assets	**394,931**	**-**	**2,298**	**397,228**
Equity and liabilities				
Paid in equity	274,016	-	-	274,016
Other equity	92,962	-	137	93,099
Total equity	366,978	-	137	367,115
Non-current lease liabilities	-	-	165	165
Total non-current liabilites	**-**	**-**	**165**	**165**
Current lease liabilities	-	-	1,995	1,995
Trade payables	-	613	-	613
Other current liabilities	27,953	(613)	-	27,339
Total current liabilities	**27,953**	**-**	**1,995**	**29,948**
Total liabilities	**27,953**	**-**	**2,161**	**30,114**
Total equity and liabilities	**394,931**	**-**	**2,298**	**397,228**

Statement of Financial Position USD thousands	31.12.2021 UK GAAP previously reported	31.12.2021 Reclassifications due to changed presentation	31.12.2021 Effect of transition to IFRS	31.12.2021 Special purpose financial statements IFRS
Assets				
Property, plant and equipment	422,546	-	3,168	425,714
Total non-current assets	**422,546**	**-**	**3,168**	**425,714**
Trade receivables	-	3,637	-	3,637
Other current assets	8,114	(3,637)	-	4,477
Cash and cash equivalents	4,267	-	-	4,267
Total current assets	**12,381**	**-**	**-**	**12,381**
Total assets	**434,927**	**-**	**3,168**	**438,094**
Equity and liabilities				
Paid in equity	274,016	-	-	274,016
Other equity	122,827	-	(21)	122,806
Total equity	396,843	-	(21)	396,822
Non-current lease liabilities	-	-	941	941
Total non-current liabilites	**-**	**-**	**941**	**941**
Current lease liabilities	-	-	2,248	2,248
Trade payables	-	1,598	-	1,598
Other current liabilities	38,084	(1,598)	-	36,486
Total current liabilities	**38,084**	**-**	**2,248**	**40,332**
Total liabilities	**38,084**	**-**	**3,189**	**41,273**
Total equity and liabilities	**434,927**	**-**	**3,168**	**438,094**

Statement of Financial Position USD thousands	**31.12.2020** UK GAAP previously reported	**01.01.2021** Reclassifications due to changed presentation	**01.01.2021** Effect of transition to IFRS	**01.01.2021** Special purpose financial statements IFRS
Assets				
Property, plant and equipment	460,496	-	-	460,496
Total non-current assets	**460,496**	**-**	**-**	**460,496**
Trade receivables	-	3,910	-	3,910
Other current assets	7,032	(3,910)	-	3,122
Cash and cash equivalents	888	-	-	888
Total current assets	**7,920**	**-**	**-**	**7,920**
Total assets	**468,415**	**-**	**-**	**468,415**
Equity and liabilities				
Paid in equity	274,016	-	-	274,016
Other equity	163,279	-	-	163,279
Total equity	437,295	-	-	437,295
Non-current lease liabilities	-	-	-	-
Total non-current liabilites	**-**	**-**	**-**	**-**
Current lease liabilities	-	-	-	-
Trade payables	-	335	-	335
Other current liabilities	31,120	(335)	-	30,786
Total current liabilities	**31,120**	**-**	**-**	**31,120**
Total liabilities	**31,120**	**-**	**-**	**31,120**
Total equity and liabilities	**468,415**	**-**	**-**	**468,415**

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 company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted 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.

- Evaluation of indicators of impairment and/or impairment reversal (Note 10 - Tangible fixed assets)

Note 4 - Revenue

The company own the mobile drilling unit, the Deepsea Atlantic. The Deepsea Atlantic is a sixth generation deepwater and harsh environment semi-submersible constructed in 2009. The Deepsea Atlantic is on a bareboat charter to the group company Odfjell Invest AS (the operating company). The operating company, Odfjell Invest AS, commenced its current drilling contract under the master frame agreement with Equinor on 24 January 2019, after a successful completion of its special periodic survey. Deepsea Atlantic commenced its Johan Sverdrup phase 2 contract with Equinor on 31 December 2021.
In 2022, Deepsea Atlantic was largely focused on operations at the Johan Sverdrup phase 2 development under the mentioned Master Frame Agreement with Equinor.

Company as a lessor
Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The company has only operating leases (bareboat charter) as a lessor.

The bareboat agreement with the operating company is based on a residual model, i.e. the operating contract company ("Charterer") retains a margin on its operating costs in accordance with its functions performed and risks assumed. The daily bareboat hire for the vessels under the charter parties payable by the Charterers to the owners, shall be calculated as the Operating Day Rate (means the daily rate actually earned and received by the Charterers from the customers under the drilling contracts, including bonuses and variable considerations) less the Charterers' Opex (means the Charterers actual monthly operating expenses related to the operation of the vessels), less the Charterers' Profit (means 8% of the Charterers' Opex. There is no minimum payment stated in the agreement.
The bareboat revenue is affected by the operating company's revenue recognition, as explained above. Revenue from drilling contracts is generally recognised in the period from commencing a contract and until completion of the drilling programme.

As explained above the lease payments depend on the performance of the vessel as well as operating expenses, and are entirely variable payments. Lease income is recognised as income each period (month) based on the rig performance (rates) and the operating expenses incurred be the lessee.

Revenue from contracts with customers
The company’s Dubai branch is also the employer for the General Manager and the Risk, Insurance & Compliance Manager working for the rig owning organisations in the Odfjell Drilling Group, and recognise revenue relating to services provided to the other rig owning companies. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it renders services to the customer.

Revenue specification

USD thousands	2022	2021
Bareboat charters (IFRS 16 Leases)	56,478	52,018
Revenue from contracts with customers (IFRS 15)	1,122	1,161
Operating revenue	**57,599**	**53,179**

Revenue from single customers

98% of the revenue in 2022 (USD 56 million) and 2021 (USD 52 million) derive from the bareboat agreement with the operating company Odfjell Invest AS regarding the drilling contracts with the end customer Equinor.

Disaggregation of revenue by primary geographical markets

USD thousands	2022	2021
Norway	56,478	52,018
United Arab Emirates	1,122	1,161
Operating revenue	**57,599**	**53,179**

Note 5 - Personnel expenses

USD thousands	2022	2021
Wage cost		
Salaries and wages	635	659
Employee benefits	314	309
Total personnel expenses	**949**	**968**

	2022	2021
No. of employees (annual average)	**2**	**2**

The employees are in the administration, working for the rig owning organisations in the Odfjell Drilling Group.

No fees have been paid to members of the Board of Directors.

Note 6 - Operating expenses

USD thousands	Note	2022	2021
Fee to the auditor (excluding VAT):			
Auditor's remuneration - audit of the financial statements		26	36
Other services from auditor		-	-
Other operating expenses:			
Management fee	18	1,395	1,425
Insurance		739	717
Travel expenses		100	74
Other expenses		104	123
Total operating expenses		**2,363**	**2,375**

Note 7 - Combined items, income statement

Other gains and losses:

USD thousands	2022	2021
Net gain on disposal of tangible fixed assets	14	-
Other gains and losses	**14**	**-**

Interest expenses:

USD thousands	Note	2022	2021
Interest expenses lease liabilities	13	(166)	(60)
Total interest expenses		**(166)**	**(60)**

Other financial items:

USD thousands	Note	2022	2021
Guarantee commissions	18	281	339
Net currency gain / (loss)		317	136
Total other financial items		**598**	**474**

Note 8 - Income taxes

Accounting policy
Income taxes 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 financial statements. 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.

Income tax reconciliation

USD thousands	2022	2021
Profit before income tax	10,293	9,527
Tax calculated at the standards rate of corporation tax in the UK of 19%	(1,956)	(1,810)
Effect of amounts not chargable to UK tax *	1,956	1,810
Total income tax expense	**-**	**-**

* Deepsea Atlantic is allocated to and operated by the Dubai registered branch of the UK tax resident company. Net profit related to the rig is attributable to the Dubai branch of the company in accordance with the foreign branch exemption, and is therefore not taxable in the UK. There are currently no company income tax for the Dubai branch.

Deferred taxes
The company does not have temporary differences resulting in any deferred taxes.

Note 9 - Property, plant and equipment

Accounting policy

Property, plant and equipment comprise mainly of mobile offshore drilling units and right-of-use mooring 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 company 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.

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.

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.

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). The company only have one CGU representing the mobile offshore drilling unit Deepsea Atlantic. 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.

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2022	525,012	48,158	3,696	576,866
Additions	3,898	5,083	1,139	10,120
Disposal	-	(560)	-	(560)
Cost as at 31 December 2022	**528,910**	**52,681**	**4,835**	**586,426**
Accumulated depreciation and impairment				
At 1 January 2022	(126,468)	(24,156)	(528)	(151,152)
Depreciation	(30,401)	(12,048)	(2,009)	(44,458)
Disposals	-	393	-	393
As at 31 December 2022	**(156,869)**	**(35,811)**	**(2,537)**	**(195,217)**
Net book value at 31 December 2022	**372,041**	**16,870**	**2,298**	**391,209**
Useful lifetime	5 - 30 years	5 years	2-3 years	
Depreciation schedule	Straight line	Straight line	Straight line	

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 31 December 2020	530,764	43,856	-	574,620
Effect of transition to IFRS	-	-	-	-
At 1 January 2021	530,764	43,856	-	574,620
Additions	3,296	4,301	3,696	11,293
Disposal	(9,047)	-	-	(9,047)
Cost as at 31 December 2021	**525,012**	**48,158**	**3,696**	**576,866**
Accumulated depreciation and impairment				
At 31 December 2020	(99,924)	(14,201)	-	(114,124)
Effect of transition to IFRS	-	-	-	-
At 1 January 2021	(99,924)	(14,201)	-	(114,124)
Depreciation	(30,242)	(9,955)	(528)	(40,725)
Disposals	3,697	-	-	3,697
As at 31 December 2021	**(126,468)**	**(24,156)**	**(528)**	**(151,152)**
Net book value at 31 December 2021	**398,544**	**24,002**	**3,168**	**425,714**
Useful lifetime	5 - 30 years	5 years	2-3 years	
Depreciation schedule	Straight line	Straight line	Straight line	

Accumulated impairment that may qualify for reversal in a later period related to the mobile drilling units Deepsea Atlantic amount to USD 65 million at 31 December 2022.

The Right-of-use asset relates to leasing of mooring equipment. Refer to Note 13 - Leases for more information.

Assets subject to operating leases
The fixed assets listed above are used in contracts with customers that contain a lease component.

Grants received
The company have received USD 4.6 million from the Norwegian NOx fund in 2021. The grant was recognised as a deduction of additions presented in the table above.

Depreciation drilling unit
Deepsea Atlantic is depreciated from 4 August 2009. The estimated remaining useful lifetime as at 31 December 2022 is approximately 16.5 years.

Significant judgement and estimation uncertainty
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. Residual values for all property, plant and equipment are estimated to be zero.

The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. The useful lives of assets are reviewed periodically in order to ensure that the 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.

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

Note 10 - Other assets and liabilities

Other current assets

USD thousands	Note	31.12.2022	31.12.2021	01.01.2021
Prepaid expenses		406	313	430
VAT receivables		8	31	30
Receivable related parties	18	4,716	4,129	2,655
Other current receivables		2	3	6
Total other current assets		**5,131**	**4,477**	**3,122**

Other current liabilities

USD thousands	Note	31.12.2022	31.12.2021	31.12.2021
Related parties payables	18	27,331	36,486	30,786
Other accrued expenses		8	-	-
Total other current liabilities		**27,339**	**36,486**	**30,786**

Note 11 - Financial assets and liabilities

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's financial assets are classified, at initial recognition, as financial assets subsequently measured at amortised cost.

Financial liabilities
The Group's financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at amortised cost.

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

USD thousands	Note	Level	31.12.2022	31.12.2021	01.01.2021
Other financial assets					
- Trade receivables			181	3,637	3,910
- Current receivables related parties	18		4,716	4,129	2,655
- Other financial current assets	10		2	3	6
- Cash and cash equivalents	12		707	4,267	888
Total assets as at 31.12			**5,606**	**12,037**	**7,459**

USD thousands	Note	Level	31.12.2022	31.12.2021	31.12.2021
Other financial liabilities					
- Non-current lease liabilities	13		165	941	-
- Current lease liabilities	13		1,995	2,248	-
- Trade payables			613	1,598	335
- Current liabilities related parties	18		27,331	36,486	30,786
- Other current financial liabilities			8	-	-
Total liabilities as at 31.12.			**30,114**	**41,273**	**31,120**

Note 12 - Cash and bank deposits

Accounting policy
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 thousands	31.12.2022	31.12.2021	01.01.2022
Current account NOK	129	1,006	190
Current account USD	569	3,232	660
Current account GBP	9	28	38
Total cash and bank deposits	**707**	**4,267**	**888**

Non of the bank deposits are restricted.

Note 13 - Leases

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

This note relates to the company as a lessee only.

The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group. The rental contract started 1 October 2021 for a period equal to the firm period of Deepsea Atlantic's drilling contract. The rental contract have options to extend to reflect any options executed in the underlying drilling contract. The lease payments are in NOK.

The lease agreement 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.

Significant judgement and estimation uncertainty

The management apply judgement when estimating the lease period, as the lease period is dependent on the duration of the drilling contract for the rig.

Right-of-use assets

Refer to Note 9 - Tangible fixed assets for information about the right-of-use assets.

Lease liabilities

USD thousands	31.12.2022	31.12.2021	01.01.2021
Non-current	165	941	-
Current	1,995	2,248	-
Total	**2,161**	**3,189**	**-**

Movements in lease liabilities in 2022 are analysed as follows:	Non-current	Current	Total
USD thousands	2022	2022	2022
Carrying amount as at 1 January	941	2,248	3,189
Cash flows:			
Payments for the principal portion of the lease liability	-	(1,884)	(1,884)
Payments for the interest portion of the lease liability	-	(166)	(166)
Non-cash flows:			
New lease liabilities recognised in the year	1,139	-	1,139
Interest expense on lease liabilities	166	-	166
Reclassified to current portion of lease liabilities	(2,000)	2,000	-
Currency exchange differences	(81)	(202)	(283)
Carrying amount as at 31 December	**165**	**1,995**	**2,161**

Movements in lease liabilities in 2021 are analysed as follows:	Non-current	Current	Total
USD thousands	2021	2021	2021
Carrying amount as at 1 January	-	-	-
Cash flows:			
Payments for the principal portion of the lease liability	-	(507)	(507)
Payments for the interest portion of the lease liability	-	(60)	(60)
Non-cash flows:			
New lease liabilities recognised in the year	3,696		3,696
Interest expense on lease liabilities	60		60
Reclassified to current portion of lease liabilities	(2,815)	2,815	-
Currency exchange differences	-	-	-
Carrying amount as at 31 December	**941**	**2,248**	**3,189**

Extention options

Refer to information above about the extention options. As at 31 December 2022, potential future cash outflows of USD 5 million (not discounted) have not been included in the lease liability because it is not reasonable certain that the lease will be extended.

Note 14 - Financial risk management

Capital management and funding

The company is part of the Odfjell Drilling Ltd. Group ("Group"), and thereby part of the Group's capital and management funding policies. 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 longterm down-cycles in our markets and unfavourable conditions in financial markets.

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 company may distribute dividend to the parent company, or receive additional funding from the Group when needed.

USD thousands	31.12.2022	31.12.2021	01.01.2022
Equity	367,115	396,822	437,295
Total assets	397,228	438,094	468,415
Equity ratio	**92 %**	**91 %**	**93 %**

Financial risk factors

The company is exposed to a range of financial risks: liquidity risk, market risk (including currency risk, interest rate risk, and price risk), and credit risk.
Risk management is carried out on a Odfjell Drilling Ltd 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.

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance.

Liquidity risk

The company's objective is to maintain a balance between continuity of funding 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 capital investment committments, without unacceptable loss or risk of damaging the Group’s reputation.
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through intercompany loans 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 and company's liquidity requirements to ensure both has sufficient cash to meet operational needs at all times. 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 abovementioned forecasts.
The liquidity risk is connected with the market risk and the re-contracting risk for Deepsea Atlantic. The management continuously focuses on securing new profitable contracts for the mobile drilling unit to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

The amounts disclosed in the tables below are the contractual non-discounted cash flows.

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
- Lease liabilities	990	1,006	279	-	-	2,274	2,161
- Trade payables	613	-	-	-	-	613	613
- Current liabilities related parties	27,331	-	-	-	-	27,331	27,331
- Other current financial liabilities	8	-	-	-	-	8	8

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
- Lease liabilities	1,124	1,124	941	-	-	3,189	3,189
- Trade payables	1,598	-	-	-	-	1,598	1,598
- Current liabilities related parties	36,486	-	-	-	-	36,486	36,486

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 company's mobile drilling unit is limited in 2023, as explained below.

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 bareboat agreement is in USD.

Climate Risk

During 2022, a project was undertaken at Group level 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.

Foreign exchange risk

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 company has limited exposure tto risks due to fluctuations in exchange rates.

Foreign exchange risk - Exposure 31.12.2022

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	129	9	-
Lease liabilities	2,161	-	-
Trade payables	40	-	-
Other current liabilities	67	8	-

Foreign exchange risk - Exposure 31.12.2021

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	1,006	28	-
Lease liabilities	3,189	-	-
Trade payables	3	-	-

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

USD thousands	2022	2021
Net currency gain / (loss) included in financial items	317	136

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

Sensitivity to changes in USD/NOK exchange rates 31.12.2022

USD thousands	USD in strengthened by 20% against NOK	USD in strengthened by 10% against NOK	USD in weakened by 10% against NOK	USD in weakened by 20% against NOK
Cash and cash equivalents	(21)	(12)	14	32
Lease liabilities	360	196	(240)	(540)
Trade payables	7	4	(4)	(10)
Other current liabilities	11	6	(7)	(17)
Net effect on profit before taxes	**356**	**194**	**(238)**	**(535)**

Sensitivity to changes in USD/NOK exchange rates 31.12.2021

USD thousands	USD in strengthened by 20% against NOK	USD in strengthened by 10% against NOK	USD in weakened by 10% against NOK	USD in weakened by 20% against NOK
Cash and cash equivalents	(168)	(91)	112	252
Lease liabilities	531	290	(354)	(797)
Trade payables	0	0	(0)	(1)
Net effect on profit before taxes	**364**	**199**	**(243)**	**(546)**

Interest rate risk

The company has a low expose to interest rate risk, as it's only interest bearing asset is cash and cash equivalents.
The company does not have any interest-bearing debt.

Credit risk

None of the trade receivables or other current receivables were overdue as at 31 December 2021 or 31 December 2022.
No impairment losses have been recognised in 2021 or 2022, and none are expected to be recognised in 2023.

Note 15 - Share capital and shareholder information

	No.of shares	Nominal value	31.12.2022 USD	31.12.2021 USD
Ordinary shares - allotted, issued and fully paid	2	GBP 1	3	3
Total share capital			**3**	**3**

There has been no changes in the share capital during 2021 and 2022.

Odfjell Invest Ltd was the shareholder during 2021 and 2022. 25 May 2023 the shares in the company was sold to Odfjell Rig III Ltd. Both companies are fully owned subsidiaries in the Odfjell Drilling Group.

Accounting policy - dividends

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.

Dividends

In 2021 the company authorised a distribution of USD 50 million USD (USD 25 million per share). In 2022 the company authorised a distribution of USD 40 million (USD 20 million per share).

Note 16 - Guarantees and security

The previous parent company Odfjell Invest Ltd. entered into a USD 425 million (USD 231.5 million outstanding) loan facility and a USD 100M junior facility agreement on 26 June 2019 with DNB Bank ASA as Agent on behalf of the lenders. As security for the facilities, substantially all of the assets of Deep Sea Atlantic (UK) Ltd were pledged in favour of the lenders and hedging banks, including a mortgage of Deepsea Atlantic.

31 May 2023 and 1 June 2023 the Odfjell Invest Ltd loan facilities were repaid in full, and the pledges and mortgages were released.

The Company is guarantor, and the rig Deepsea Atlantic is pledged as security for Odfjell Rig III Ltd's 5-year senior secured first lien bond of USD 390 million issued in May 2023.

Note 17 - Commitments

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

USD thousands	31.12.2022	31.12.2021
Rig investments	38,369	1,355

The major part of committed capital expenditure as at 31 December 2022 is related to the new blow out preventer (BOP) for the rig Deepsea Atlantic, and are mainly expected to be paid within the next 12 months.
The cost can be divided between: Yard and project management, plus equipment and services related to marine, electro, drilling and subsea.

Note 18 - Related parties - transactions, receivables and payables

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.

USD thousands

Income from related parties

Type of transaction	Related party	Relation	2022	2021
Bareboat charter	Odfjell Invest Ltd	Group company	56,478	52,018
Management services	Companies in Odfjell Drilling Group	Group company	1,122	1,161
Guarantee provision	Odfjell Invest Ltd	Group company	281	339
Total			**57,880**	**53,518**

Related parties expenses

Type of transaction	Related party	Relation	2022	2021
Management fee / Service fee	Odfjell Drilling AS	Group company	(1,095)	(1,095)
Management fee / Service fee	Company in Odfjell Technology Ltd Group	Related to main shareholder	(300)	(330)
Total			**(1,395)**	**(1,425)**

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

Current receivables and liabilities group companies

Type of transaction	Related party	Relation	2022	2021
Trade receivables	Companies in Odfjell Drilling Group	Group company	181	3,637
Other current receivables	Companies in Odfjell Drilling Group	Group company	4,716	4,129
Trade payables	Companies in Odfjell Drilling Group	Group company	(20)	(1,454)
Other current payables	Odfjell Invest Ltd	Group company	(25,765)	(33,073)
Other current payables	Companies in Odfjell Drilling Group	Group company	(1,164)	(2,502)
Trade and other payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(716)	(910)
Net current payables related parties			**(22,768)**	**(30,173)**

Lease agreements with related parties

The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group, which is related to the main shareholder. Refer to Note 13 - Leases for further information.

Note 19 - Important events occurring after the reporting period

25 May 2023 all the shares in the company was sold from Odfjell Invest Ltd to Odfjell Rig III Ltd. Both companies are subsidiaries in the Odfejll Drilling Group.

Refer to Note 16 for information about changes in guarantees and securities effective from 1 June 2023.

There have been no other events after the balance sheet date with material effect on the financial statements ended 31 December 2021 and 2022.

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To the Board of Directors of Deep Sea Atlantic (UK) Ltd

Independent Auditor's Report

Opinion

We have audited the special purpose financial statements of Deep Sea Atlantic (UK) Ltd (the Company), which comprise the statement of financial position as at 31 December 2022 and 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the years then ended, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion

- the special purpose financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and 31 December 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by EU.

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 Special Purpose Financial Statements* section of our report. We are independent of the Company 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.

Responsibilities of the Board of Directors for the Special Purpose Financial Statements

The Board of Directors (management) is responsible for the preparation of the special purpose 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 special purpose financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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 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 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 to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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.

Bergen, 11 September 2023
KPMG AS

Ståle Christensen
State Authorised Public Accountant
(This document is signed electronically)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2023-09-11 12:09:03 UTC

H1 2023

Deep Sea Atlantic (UK) Ltd.

Interim
Financial Report

for the first half of 2023

Condensed Income Statement
for the interim period

USD thousands	Note	First half 2023	First half 2022	Full year 2022
Operating revenues	2	**29,822**	**27,855**	**57,599**
Other gains and losses		-	-	14
Personnel expenses		(486)	(501)	(949)
Depreciation		(23,349)	(21,912)	(44,458)
Other operating expenses		(1,192)	(1,206)	(2,363)
Operating profit - EBIT		**4,795**	**4,236**	**9,843**
Net financial items		218	200	449
Profit before income tax		**5,013**	**4,436**	**10,293**
Income tax expense		-	-	-
Net profit		**5,013**	**4,436**	**10,293**

The accompanying selected explanatory notes are an integral part of the interim financial report.

Condensed Statement of Comprehensive Income
for the interim period

USD thousands	Note	First half 2023	First half 2022	Full year 2022
Profit / (loss) for the period		**5,013**	**4,436**	**10,293**
Other comprehensive income:				
Items that are or may be reclassified to profit or loss:				
Cash flow hedges	5	(882)	-	-
Total		(882)	-	-
Other comprehensive income for the period, net of tax		**(882)**	**-**	**-**
Total comprehensive income for the period		**4,131**	**4,436**	**10,293**

Condensed Statement of Financial Position

USD thousands	Note	30.06.2023	30.06.2022	31.12.2022
Assets				
Property, plant and equipment	3	389,893	408,632	391,209
Total non-current assets		**389,893**	**408,632**	**391,209**
Trade receivables		41	-	181
Other current assets		509	5,161	5,131
Cash and cash equivalents		5,337	914	707
Total current assets		**5,887**	**6,075**	**6,020**
Total assets		**395,780**	**414,706**	**397,228**
Equity and liabilities				
Share capital	6	0	0	0
Other contributed capital		274,016	274,016	274,016
Other reserves		(882)	-	-
Retained earnings		98,112	127,241	93,099
Total equity		**371,246**	**401,257**	**367,115**
Non-current lease liabilities	4	-		165
Other non-current liabilities	5	882	-	-
Total non-current liabilities		**882**	**-**	**165**
Current lease liabilities	4	1,799	1,909	1,995
Trade payables		1,524	643	613
Other current liabilities		20,329	10,897	27,339
Total current liabilities		**23,652**	**13,449**	**29,948**
Total liabilities		**24,534**	**13,449**	**30,114**
Total equity and liabilities		**395,780**	**414,706**	**397,228**

The Board of Deep Sea Atlantic (UK) Ltd
Aberdeen, United Kingdom, 6 September 2023

Helene Odfjell	Kjetil Gjersdal	Diane Stephen
Director	Director	Director
(Sign.)	(Sign.)	(Sign.)

Condensed Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022		**0**	**274,016**	**-**	**122,806**	**396,822**
Profit/(loss) for the period		-	-	-	4,436	4,436
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	4,436	4,436
Balance at 30 June 2022		**0**	**274,016**	**-**	**127,241**	**401,257**
Profit/(loss) for the second half of 2022		-	-	-	5,857	5,857
Total comprehensive income for the second half of 2022		-	-	-	5,857	5,857
Dividends to owners of the company		-	-	-	(40,000)	(40,000)
Transactions with owners in the second half of 2022		-	-	-	(40,000)	(40,000)
Balance at 31 December 2022		**0**	**274,016**	**-**	**93,099**	**367,115**
Profit/(loss) for the period		-	-	-	5,013	5,013
Other comprehensive income for the period		-	-	(882)	-	(882)
Total comprehensive income for the period		-	-	(882)	5,013	4,131
Balance at 30 June 2023		**0**	**274,016**	**(882)**	**98,112**	**371,246**

Consensed Statement of Cash Flow
for the interim period

USD thousands	Note	First half 2023	First half 2022	Full year 2022
Cash flow from operating activities:				
Profit/(loss) before tax		5,013	4,436	10,293
Adjustments for provisions and non-cash items		23,207	21,715	44,281
Changes in working capital		(1,337)	(23,591)	(7,329)
Cash generated from operations		***26,883***	***2,559***	***47,245***
Net interest paid		(60)	(88)	(149)
Net cash flow from operating activities		**26,823**	**2,471**	**47,096**
Cash flows from investing activities:				
Purchase of property, plant and equipment	3	(21,363)	(4,839)	(8,981)
Proceeds from sale of property, plant and equipment		-	-	181
Net cash flow from investing activities		**(21,363)**	**(4,839)**	**(8,800)**
Cash flows from financing activities:				
Repayment of lease liabilities	4	(853)	(976)	(1,884)
Dividends paid		-	-	(40,000)
Net cash from financing activities		**(853)**	**(976)**	**(41,884)**
Exchange gains/(losses) on cash and cash equivalents		23	(9)	28
Net change in cash and cash equivalents		**4,630**	**(3,353)**	**(3,560)**
Cash and cash equivalents at 01.01		707	4,267	4,267
Cash and cash equivalents at 31.12		**5,337**	**914**	**707**

Note 1 - Accounting Principles

General information

Deep Sea Atlantic (UK) Ltd is a private company limited by shares and is incorporated and domiciled in England, UK. The address of its registered office is Harbour Court Compass Road, North Harbour, Portsmouth, Hampshire, England, PO6 4ST.
The company own the mobile drilling unit, the Deepsea Atlantic. The Deepsea Atlantic is a sixth generation deepwater and harsh environment semi-submersible constructed in 2009.

The parent company until end May 2023 was Odfjell Invest Ltd, a private limited liability company registered under the laws of Bermuda with registration number 37838. 25 May 2023 the shares in Deep Sea Atlantic (UK) Ltd was sold to Odfjell Rig III Ltd., a private limited liability company registered under the laws of Bermuda with registration number 45961. Both companies are subsidiaries of Odfjell Drilling Ltd.

The ultimate parent company Odfjell Drilling Ltd., is incorporated in Bermuda and is a tax resident in United Kingdom with its head office as Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom. A copy of the consolidated financial statements of the ultimate parent company can be obtained from Odfjell Drilling Ltd, Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom, and the consolidated financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by EU.

These interim financial statements were approved by the Board of Directors on 6 September 2023 and have not been audited.

Basis for preparation

On 12 May 2023, the new parent company Odfjell Rig III placed a USD 390 million retail bond loan (the "Bond Issue" and the "Bonds"), the purpose of which was to refinance certain existing debt related to the drilling rigs Deepsea Aberdeen and Deepsea Atlantic. The issue date was 31 May 2023. The Bond Issue has been guaranteed by Deep Sea Atlantic (UK) Ltd, as well as certain other companies within the Odfjell Drilling Group. The Bonds shall be listed on the Oslo Børs main list within six month after the issue date, i.e. by 31 November 2023. In this connection, a listing prospectus will be prepared.

To satisfy the prospectus requirements, the Company have prepared audited special purpose financial statements as per and for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS as adopted by the EU (the "Special Purpose Financial Statements"). A copy of the Special Purpose Financial Statements can be obtained from the Company's head office in Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom.

These condensed interim financial statements for the six months period ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed 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 Special Purpose Financial Statements for the year ended 31 December 2022.

Accounting principles

The accounting principles adopted are consistent with those of the previous financial year presented in the Special Purpose Financial Statements.

Note 2 - Revenue

Revenue specification

USD thousands	H1 2023	H1 2022	FY 2022
Bareboat charters (IFRS 16 Leases)	29,228	27,269	56,478
Revenue from contracts with customers (IFRS 15)	594	586	1,122
Operating revenue	**29,822**	**27,855**	**57,599**

Disaggregation of revenue by primary geographical markets

USD thousands	H1 2023	H1 2022	FY 2022
Norway	29,228	29,236	26,734
United Arab Emirates	594	586	1,122
Operating revenue	**29,822**	**29,822**	**27,855**

Note 3 - Property, plant and equipment

USD thousands	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2023	528,910	52,681	4,835	586,426
Additions	16,664	4,699	671	22,034
Cost as at 30 June 2023	**545,574**	**57,380**	**5,505**	**608,460**
Accumulated depreciation and impairment				
At 1 January 2022	(156,869)	(35,811)	(2,537)	(195,217)
Depreciation	(15,312)	(7,124)	(913)	(23,349)
As at 30 June 2023	**(172,181)**	**(42,935)**	**(3,450)**	**(218,566)**
Net book value at 30 June 2023	**373,393**	**14,445**	**2,055**	**389,893**
Useful lifetime	5 - 30 years	5 years	2-3 years	
Depreciation schedule	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.

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

Note 4 - Leases

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 3.

Lease liabilities

USD thousands	30.06.2023	30.06.2022	31.12.2022
Non-current	-	-	165
Current	1,799	1,909	1,995
Total	**1,799**	**1,909**	**2,161**

Movements in lease liabilities are analysed as follows:

	Non-current	Current	Total
USD thousands	30.06.2023	30.06.2023	30.06.2023
Carrying amount as at 1 January	165	1,995	2,161
Cash flows:			
Payments for the principal portion of the lease liability	-	(853)	(853)
Payments for the interest portion of the lease liability	-	(85)	(85)
Non-cash flows:			
New lease liabilities recognised in the year	671	-	671
Interest expense on lease liabilities	85	-	85
Reclassified to current portion of lease liabilities	(882)	882	-
Currency exchange differences	(39)	(141)	(179)
Carrying amount as 30 June 2023	**-**	**1,799**	**1,799**

Note 5 - Financial risk management and financial instruments

Derivatives
In Q2 2023 the company entered into foreign exchange agreements to sell a total of GBP 20 million and buy NOK in equal montly instalments with maturity dates from June 2025 to August 2026. The contracts were entered into for economic hedging purposes and hedge accounting is applied.

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.

Valuation techniques used to derive Level 2 fair values
Level 2 derivatives held at fair value through profit or loss and hedging derivatives, comprise foreign exchange agreements. Foreign exchange agreements are fair valued using forward rates extracted from observable yield curves. Foreign exchange agreements are recognised according to mark-to-market reports from external financial institutions.

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

USD thousands	Note	Level	30.06.2023	30.06.2022	31.12.2022
Other financial assets					
- Trade receivables			41	-	181
- Current receivables related parties			304	4,977	4,716
- Other financial current assets			10	8	2
- Cash and cash equivalents			5,337	914	707
Total assets as at 31.12			**5,691**	**5,899**	**5,606**

USD thousands	Note	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- Other non-current liabilities		2	882	-	-
Other financial liabilities					
- Non-current lease liabilities			-	-	165
- Current lease liabilities			1,799	1,909	1,995
- Trade payables			1,524	643	613
- Current liabilities related parties			5,276	10,847	27,331
- Other current financial liabilities			15,053	50	8
Total liabilities as at 31.12.			**24,534**	**13,449**	**30,114**

Note 6 - Share capital and shareholder information

	No.of shares	Nominal value	30.06.2023 USD	31.12.2022 USD
Ordinary shares - allotted, issued and fully paid	2	GBP 1	3	3
Total share capital			**3**	**3**

There has been no changes in the share capital during 2023.

Odfjell Invest Ltd was the shareholder until 25 May 2023, when the shares in the company was sold to Odfjell Rig III Ltd.

Dividends

The company has not paid any dividends in 2023.

Note 7 - Guarantees and security

The Company is guarantor, and the rig Deepsea Atlantic is pledged as security for Odfjell Rig III Ltd's 5-year senior secured first lien bond of USD 390 million issued in May 2023.

Note 8 - Commitments

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

USD thousands	30.06.2023	31.12.2022
Rig investments	32,487	38,369

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

Note 9 - Related parties - transactions, receivables and payables

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.

USD thousands

Revenue from related parties

Type of transaction	Related party	Relation	H1 2023	H1 2022
Bareboat charter	Odfjell Invest AS	Group company	29,228	27,269
Management services	Companies in Odfjell Drilling Group	Group company	594	586
Total			**29,822**	**27,855**

Related parties expenses

Type of transaction	Related party	Relation	H1 2023	H1 2022
Management fee / Service fee	Odfjell Drilling AS	Group company	(543)	(543)
Management fee / Service fee	Company in Odfjell Technology Ltd Group	Related to main shareholder	(165)	(150)
Total			**(708)**	**(693)**

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

Current receivables and liabilities group companies

Type of transaction	Related party	Relation	30.06.2023	31.12.2022
Trade receivables	Companies in Odfjell Drilling Group	Group company	-	181
Other current receivables	Companies in Odfjell Drilling Group	Group company	304	4,716
Trade payables	Companies in Odfjell Drilling Group	Group company	(228)	(20)
Other current payables	Odfjell Invest Ltd	Group company	-	(25,765)
Other current payables	Companies in Odfjell Drilling Group	Group company	(4,697)	(1,164)
Trade and other payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(1,053)	(716)
Net current payables related parties			**(5,675)**	**(22,768)**

Lease agreements with related parties

The company leases mooring equipment from Odfjell Technology Invest Ltd., a company in the Odfjell Technology Group, which is related to the main shareholder. Refer to Note 4 - Leases for further information.

Note 10 - Important events occurring after the reporting period

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

Appendix Q – Annual and Interim Financial Statements for Deep Sea Drilling Company AS

Annual accounts 2021

List of Signatures

Deep Sea Drilling Company AS Årsregnskap 2021.pdf

Name	Method	Signed at
Jone Torstensen	One-Time-Password	2022-03-22 17:04 GMT+01
Lieungh, Simen	BANKID_MOBILE	2022-03-22 15:09 GMT+01
Gjersdal, Kjetil	BANKID_MOBILE	2022-03-22 14:30 GMT+01

Årsregnskap 2021

Deep Sea Drilling Company AS

Deep Sea Drilling Company AS

Årsberetning 2021

VIRKSOMHETENS ART

Deep Sea Drilling Company AS, har siden februar 2021 forestått den operasjonelle drift av den mobile plattformen «Deepsea Aberdeen» på norsk kontinental sokkel. Selskapet har inngått bareboat avtale med det riggeiende selskapet Odfjell Drilling Shetland Ltd. hvor leiekostnaden av riggen er priset på armlengdes vilkår.

Selskapet Deep Sea Drilling Company AS er lokalisert i Bergen og har ingen ansatte. Administrative tjenester og personell tjenester kjøpes hovedsakelig fra Odfjell Drilling AS og Deep Sea Management AS.

MARKEDSSITUASJON OG FREMTIDIG UTVIKLING

Deep Sea Drilling Company AS startet 19. februar 2021 opp borekontrakt for Wintershall Dea Norge AS med varighet til våren 2022. Denne kontrakten vil bli etterfulgt av borekontrakt for Equinor Energy AS på Breidablikk feltet. Breidablikk er for 15 faste brønner med opsjoner for ytterligere 9 brønner. Anslått varighet for de faste brønnene er beregnet til ca. 2,5 år.

Deepsea Aberdeen er en 6. generasjons «harsh environment» rigg av et videreutviklet GVA7500 design. Riggen ble klar for operasjon i 2015 og fikk Samsvarsuttalelse (SUT) i februar 2021. Godkjenning for SUT skjer på grunnlag av en fullstendig teknisk og organisatorisk vurdering av riggen i henhold til dagens regler både for Oljedirektoratet, Sjøfartsdirektoratet og Det Norske Veritas.

God ordrereserve, gjør sitt til at selskapet i begrenset grad vurderes eksponert for bortfall av inntekter. Selskapet vil jobbe aktivt for å sikre forlengelse og eventuelt nye kontrakter for å opprettholde omsetning i årene fremover. Det presiseres at det alltid vil være knyttet usikkerhet til fremtidig utvikling.

FINANSIELL RISIKO

Markedsrisiko

Selskapets finansielle risiko vil først og fremst være knyttet til valutasvingninger, da spesielt på inntektssiden. Rateinntektene fra kontrakt med Wintershall Dea Norge AS er i US dollar. Bareboatleie betales i US Dollar, mens øvrige driftskostnader påløper og betales i NOK. Det er inngått terminkontrakter for å sikre driftstilknyttet valutarisiko. For kontrakt med Equinor vil selskapet være naturlig sikret mot valutasvingninger fordi rateinntektene fra kontrakt er splittet mellom US dollar og norske kroner, med en tilsvarende fordeling på kostnader.

Kredittrisiko

Risiko for at motparten ikke har økonomisk evne til å oppfylle sine forpliktelser anses lav. Kunden er et stort selskap med god likviditet, som gir svært lav kredittrisiko.

Likviditetsrisiko

Selskapet vurderer likviditeten i selskapet som tilfredsstillende, og det er ikke besluttet å innføre tiltak som endrer likviditetsrisiko.

REDEGJØRELSE FOR ÅRSREGNSKAPET

Resultat

Selskapet hadde en omsetning på kr. 747,9 mill i 2021 sammenlignet med kr. 4,0 mill i 2020. Økningen skyldes at det var først i februar 2021 det var full drift. Driftsresultatet viser et overskudd på kr. 36,1 mill. Årsresultatet i 2021 var kr. 25,8 mill, mot tilsvarende kr. 3,0 mill for 2020.

Årsresultatet for 2021 er disponert med konsernbidrag til konsernselskapet Odfjell Drilling AS. Det er budsjettert med driftsoverskudd i 2022.

Balanse

Selskapets totalkapital var kr. 288,2 mill. pr 31.12.2021. Egenkapitalen var på kr. 35,9 mill (12,44 %) pr 31.12.2021.

Kontantstrøm

Beholdningen av likvider var kr. 68,9 mill. pr 31.12.2021. Selskapet har ikke ubenyttet driftskreditt. Netto kontantstrøm fra driften var positiv med kr. 61,7 mill. for 2021. Forskjell mellom kontantstrøm fra drift og resultat før skatt skyldes i hovedsak mellomværende med konsernselskap. Det er ikke foretatt investeringer i 2021. Selskapets likviditet vurderes som tilfredsstillende.

Fortsatt drift

Ut fra selskapets økonomiske stilling og langsiktige strategi, er forutsetningen for fortsatt drift til stede og regnskapet er satt opp under denne forutsetning. I samsvar med regnskapsloven § 3-3a bekreftes det således at forutsetningene om fortsatt drift er til stede.

MILJØ

Arbeidsmiljø

Selskapet har ingen egne ansatte. Det er et mål om ingen alvorlige hendelser og ingen personskader knyttet til selskapets operasjoner. Det har ikke vært registrerte personell skader i 2021 knyttet til innleid personell. Det vises for øvrig til bærekraftrapportering på konsernnivå for en detaljert redegjørelse av styring og målsetninger for arbeidsmiljø som også gjelder for selskapet. Bærekraftrapportene er tilgjengelige på www.odfjelldrilling.com.

Ytre miljø

Konsernet selskapet er en del av har som ledd i sin bærekraftstrategi fokus på utslipp til luft, sjø og land, samt håndtering av avfall. Disse fokusområdene er reflektert i konsernets HMS program som gjelder for alle selskapene i Odfjell Drilling konsernet. En inngående beskrivelse av prosedyrer, målsetninger og tilhørende måltall for oppnåelse kan finnes i bærekraftrapportene som er gjort offentlig tilgjengelige på konsernets nettside, www.odfjelldrilling.com. Risikovurdering for utslippskilder og samsvarsvurderinger mot miljøregelverk er blitt gjennomført som en del av ISO 14001-prosessen. Det har vært ett rapporteringspliktig utslipp i 2021.

FORSIKRING FOR STYRETS MEDLEMMER OG DAGLIG LEDER

Det er tegnet forsikring på konsernnivå for styrets medlemmer og daglig leder for deres mulige ansvar overfor selskapet og tredjepersoner. Forsikringen er begrenset til kr. 75 mill per år og per hendelse.

ÅRSRESULTAT OG DISPONERINGER

Styret i Deep Sea Drilling Company AS forslår følgende disponering av årets overskudd på kr. 25 829 162.

Overført til annen egenkapital	kr	242
Avgitt konsernbidrag (etter skatt)	kr	25 828 920
Sum overføringer og disponeringer	kr	25 829 162

Bergen, 21. mars 2022

Simen Lieungh	Jone Torstensen	Kjetil Gjersdal
Styreleder	Styremedlem	Styremedlem/daglig leder

Deep Sea Drilling Company AS

RESULTATREGNSKAP

Beløp i NOK 1000	Note	2021	2020
DRIFTSINNTEKTER			
Driftsinntekter	2	***747 932***	***3 973***
DRIFTSKOSTNADER			
Bareboat leie	3, 12	210 658	-
Lønnskostnad	4	273 825	1 124
Andre driftskostnader	4, 5, 12	227 309	31
Sum andre driftskostnader		***711 792***	***1 154***
DRIFTSRESULTAT		***36 140***	***2 819***
FINANSINNTEKTER OG FINANSKOSTNADER			
Finansinntekter	6	4	1 009
Finanskostnader	6	(3 030)	-
Netto finansposter		***(3 025)***	***1 009***
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		***33 114***	***3 828***
Skattekostnad på ordinært resultat	8	7 285	842
ÅRSRESULTAT		***25 829***	***2 985***
Opplysninger om avsetninger til:			
Avsatt til konsernbidrag (etter skatt)	11	25 829	2 985
Avsatt til / (overført fra) annen egenkapital	11	-	-
Sum disponert		***25 829***	***2 985***

Deep Sea Drilling Company AS

EIENDELER

Beløp i NOK 1000	Note	31.12.2021	31.12.2020
OMLØPSMIDLER			
Fordringer			
Kundefordringer		122 852	10 450
Fordringer på selskap i samme konsern	9	24 645	150 056
Andre kortsiktige fordringer	15	71 776	11 059
Sum fordringer		***219 274***	***171 565***
Bankinnskudd, kontanter og lignende	10	68 909	1 067
Sum omløpsmidler		***288 182***	***172 632***
SUM EIENDELER		**288 182**	***172 632***

Deep Sea Drilling Company AS

EGENKAPITAL OG GJELD

Beløp i NOK 1000	Note	31.12.2021	31.12.2020
EGENKAPITAL			
Innskutt egenkapital			
Aksjekapital (30 000 aksjer á kr 1)	11	30	30
Annen innskutt egenkapital	11	10 000	10 000
Sum innskutt egenkapital		**10 030**	***10 030***
Opptjent egenkapital			
Annen egenkapital	11	25 829	-
Sum opptjent egenkapital		**25 829**	**-**
Sum egenkapital		***35 859***	***10 030***
GJELD			
Kortsiktig gjeld			
Leverandørgjeld		34 372	47 504
Betalbar skatt	8	-	-
Gjeld til selskap i samme konsern	9	141 307	79 479
Annen kortsiktig gjeld	14	76 644	35 620
Sum kortsiktig gjeld		***252 323***	***162 602***
Sum gjeld		***252 323***	***162 602***
SUM EGENKAPITAL OG GJELD		***288 182***	***172 632***

Bergen, 21. mars 2022

Jone Torstensen styremedlem	Kjetil Gjersdal styremedlem/ daglig leder	Simen Lieungh styrets leder

Deep Sea Drilling Company AS

KONTANTSTRØMSANALYSE

Beløp i NOK 1000	Note	2021	2020
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER			
Ordinært resultat før skattekostnad		33 114	3 828
Betalte skatter	8	-	-
Endring i kundefordringer og leverandørgjeld		(125 534)	37 054
Endring i kortsiktig konsernmellomværende ekskl. konsernbidrag		173 782	(64 406)
Endring i andre tidsavgrensningsposter		(19 693)	24 561
Netto kontantstrøm fra operasjonelle aktiviteter		**61 669**	**1 037**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER			
Netto kontantstrømmer fra investeringsaktiviteter		**-**	**-**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER			
Innbetalinger av konsernbidrag		10 000	-
Innbetalinger stiftelseskapital		-	30
Utbetalinger av konsernbidrag		(3 827)	-
Netto kontantstrøm fra finansieringsaktiviteter		**6 173**	***30***
Netto endring i likvider i året		67 842	1 067
Kontanter og kontantekvivalenter per 01.01		1 067	-
Kontanter og kontantekvivalenter per 31.12	10	**68 909**	***1 067***

Note 1 - Regnskapsprinsipper

Årsregnskapet består av resultatregnskap, balanse, noteopplysninger, kontantstrømoppstilling og er avlagt i samsvar med regnskapslov og god regnskapsskikk i Norge. Norske kroner benyttes som funksjonell og rapporterings valuta i regnskapet.

Selskapet er en del av Odfjell Drilling konsernet. Det ultimate morselskap er Odfjell Drilling Ltd som har forretningskontor i Aberdeen, Scotland, United Kingdom.
Konsernregnskapet er tilgjengelig på selskapets hjemmeside www.odfjelldrilling.com

Selskapet ble stiftet 1. juli 2020 og regnskapsperioden for 2020 er således 1. juli 2020 til 31. desember 2020.

Bruk av estimater
Utarbeidelse av regnskaper i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

Valuta
Transaksjoner i annen valuta som er med i resultatregnskapet er omregnet til norske kroner etter månedlige kurser. Pengeposter i utenlandsk valuta er omregnet til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttegjort. Utsatt skatt beregnes med nominell verdi. Betalbar skatt og utsatt skatt er regnskapsført direkte mot egenkapitalen i den grad skattepostene relaterer seg til egenkapitaltransaksjoner.

Inntektsføring
Selskapets inntekter kommer fra operasjonell drift av mobile plattformer og består i hovedsak av inntekter knyttet til utleie av boreriggen "Deepsea Aberdeen".

Kostnader selskapet pådrar seg og håndterer på vegne av andre uten risiko for selskapet, belastes med påslag for administrasjon. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet. Påslag for administrasjon presenteres som

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som betaling innen ett år etter anskaffelsestidspunktet, sa som knytter seg til varekretsløpet. Øvrige poster er kl som anleggsmiddel/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskos verdi. Kortsiktig gjeld balanseføres til nominelt beløp opptakstidspunktet.

Vedlikeholdskostnader
Faktiske utgifter til løpende vedlikehold belastes drift når vedlikehold finner sted.

Operasjonelle leieavtaler
Leiekontrakter hvor ikke det vesentligste av risikoen leietaker, blir klassifisert som operasjonelle leieavtale Leiebetalinger er klassifisert som en driftskostnad, og resultatføres over kontraktsperioden.

Fordringer
Kundefordringer og andre fordringer er oppført i bala pålydende etter fradrag for avsetning til forventet tap. tap gjøres på grunnlag av en individuell vurdering av fordringer.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den ind metoden. Kontanter og kontantekvivalenter omfatter bankinnskudd og andre kortsiktige, likvide plassering

Reklassifisering
Ved reklassifisering av resultat- og balanseposter om sammenligningstallene tilsvarende.

Sikring
Sikringsforhold som sikringsbokføres dokumenteres begynnelsen av sikringsforholdet. Sammenhengen m sikringsinstrument og objekt, formål og strategi med forholdet, samt forventet effektivitet dokumenteres. Sikringseffektivitet måles og dokumenteres løpende i forholdet. Selskapet benytter kontantstrømsikring i fo med sikring av valutaeksponering av inntekter. Ved kontantstrømsikring som anses å være effektiv vil rea urealiserte gevinster og tap på sikringsinstrumentet ik resultatføres før det underliggende sikringsobjektet p resultatregnskapet. Verdiendring som vurderes å ikke effektiv sikring, resultatføres i perioden den oppstår.

Note 2 - Driftsinntekter

Driftsinntekter	2021	2020
Rater fra operasjoner	719 403	-
Utleie av utstyr og personell	16 243	1 124
Andre drfitsinntekter	12 286	2 849
Sum inntekter	**747 932**	**3 973**

Selskapet har fra 19. februar 2021 og ut 2021 boret for Wintershall Dea. For perioden før dette var selskapet på en stacking hire agreement med Odfjell Drilling Shetland Ltd ettersom Deep Sea Drilling Company AS har foretatt innkjøp på vegne av riggeiende selskap Odfjell Drilling Shetland Ltd. Disse innkjøp ble foretatt under landligge i Norge i forbindelse med søknad om Samsvarsuttalelse (SUT) og forberedelser til nye kontrakter med Wintershall Dea Norge AS og Equinor. Kostnader selskapet pådrar seg og håndterer på vegne av andre uten risiko for selskapet, belastes med påslag for administrasjon. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet. Påslag for administrasjon presenteres som driftsinntekter.

Selskapets inntekter i 2021 er i sin vesentlighet knyttet til utleie av "Deepsea Aberdeen" til virksomhet i Nordsjøen.

Note 3 - Vesentlig leieavtale - Bareboat

Selskapet har følgende forpliktelser for løpende innleieavtaler per 31.12.2021:

Driftsmiddel	Varighet	Kjøpsopsjon
Bareboat leie av rigg Deepsea Aberdeen	19.2.2021 - 30.09.20	Nei

Bareboat beregnes månedlig ut fra operasjonsrate, justert for driftskostnad ved operasjon og en fastsatt margin.

Note 4 - Lønnskostnad, antall ansatte, godtgjørelser, lån til ansatte m.m

Lønnskostnad	2021	2020
Innleid personell	273 825	1 124
Sum lønnskostnad	**273 825**	**1 124**

Selskapet administreres av Odfjell Drilling AS. Kostnader knyttet til daglig leder er inkludert i management fee til Odfjell Drilling AS. Det er ingen ansatte i selskapet. Alt offshore personell leies inn fra nærstående part, Deep Sea Management AS.

Det er ikke gitt ytelser til styret for inneværende år.
Det er ikke ytet lån eller stilt garantier til styreleder eller andre nærstående parter

Kostnader til revisor eksl mva (tall i hele tusen)	2021	2020
Lovpålagt revisjon	75	25
Andre attestasjonstjenester	-	-
Sum kostnader til revisor	**75**	**25**

Note 5 - Andre driftskostnader

	2021	2020
Innleid utstyr og tjenester	61 619	-
Management fee	61 640	-
Øvrige leiekostnader	235	-
Diverse verktøy og reservedeler	57 547	-
Vedlikehold, reparasjon og inspeksjon av utstyr	4 241	-
Andre driftskostnader	41 952	6
Lovpålagt revisjon	75	25

Sum	**227 309**	**31**

Note 6 - Finansinntekter og kostnader

Finansinntekter	2021	2020
Renteinntekter	1	-
Netto valutagevinst	-	1 009
Andre finansinntekter	3	-
Sum finansinntekter	**4**	**1 009**

Finanskostnader	2021	2020
Rentekostnader	(13)	-
Netto valutatap	(3 009)	-
Andre finanskostnader	(8)	-
Sum finanskostnader	**(3 030)**	**-**

Note 7 - Finansiell markedsrisiko

Deep Sea Drilling Company AS ønsker å redusere eksponering for svingninger i valutakursene ved å søke en best mulig balanse mellom innbetalinger og utbetalinger i samme valuta, samt via valutaterminforretninger til forutsigbar valutakurs. For forestående kontrakt med Wintershall Dea er raten på inntektssiden i USD. På kostnadssiden blir bareboatleien betalt i USD, mens mesteparten av de øvrige driftskostnadene blir betalt i NOK. Per 31. desember 2021 hadde selskapet følgende valutaterminkontrakter knyttet til valuta:

	Valuta	Pålydende	Gjennom-snittlig terminkurs (USDNOK)	Markeds-verdi (NOK)
Valutaterminer	USD	16 800	8,83	5 153 819

Note 8 - Skatt

Årets skattekostnad fremkommer slik:	2021	2020
Betalbar skatt	7 285	842
Sum total skattekostnad	**7 285**	**842**

Betalbar skatt i årest skattekostnad fremkommer slik:	2021	2020
Resultat før skattekostnad	33 114	3 828
Permanente forskjeller	-	-
Grunnlag årets skattekostnad	33 114	3 828
Nominell skattesats	22 %	22 %
Betalbar skattekostnad	**7 285**	**842**
Betalbar skatt på avgitt konsernbidrag	(7 285)	(842)
Betalbar skatt balanseført 31.12	-	-

Selskapet har ingen skattemessige midlertidige forskjeller.

Avstemming fra nominell til faktisk skattesats	2021	2020
Resultat før skattekostnad	33 114	3 828
Nominell skattesats	22 %	22 %
Forventet inntektsskatt etter nominell skattesats	7 285	842

Skatteeffekt av følgende poster:	2021	2020
Ikke fradragsberettigede kostnader og skattepliktige inntekter	-	-
Skattekostnad	7 285	842
Effektiv skattesats	22 %	22 %

Note 9 - Mellomværende med selskap i samme konsern m.v

Fordringer og gjeld mellom konsernselskaper knytter seg til den løpende drift og konsernbidrag. Konsernmellomværende er gjengitt på egne linjer i balansen

Konsernselskaper	Fordringer	Gjeld	Fordringer	Gjeld
Kortsiktig	2021	2021	2020	2020
Deep Sea Management AS	-	27 415	-	37 845
Deep Sea Drilling Company I AS	-	-	-	1 067
Odfjell Drilling AS	-	12 074	-	6 297
Odfjell Drilling Shetland Ltd	24 645	59 273	140 056	19 920
Odfjell Well Services Norway AS	-	11 896	-	184
Odfjell Well Services UK Ltd	-	-	-	1 607
Odfjell Drilling Technology AS	-	23 361	-	8 576
Odfjell Drilling (UK) Ltd	-	-	-	153
Odfjell Drilling Philippines Corp.	-	3	-	4
Sum driftsrelaterte fordringer og gjeld	**24 645**	**134 022**	**140 056**	**75 652**
Odfjell Offshore Ltd- konsernbidrag	-	-	-	3 827
Odfjell Drilling AS-netto konsernbidrag	-	7 285	10 000	-
Sum fordringer og gjeld på selskap i samme konsern	**24 645**	**141 307**	**150 056**	**79 479**

Konsernets kortsiktige mellomværende forfaller til betaling innen ett år etter regnskapsårets utgang.

Note 10 - Kontanter og kontantekvivalenter

	31.12.2021	31.12.2020
Andre bankinnskudd	68 909	1 067
Sum bankinnskudd, kontanter og lignende	**68 909**	**1 067**

Selskapet har ingen bundne midler og ingen trekkrettigheter.

Note 11 - Aksjekapital og aksjonærinformasjon / Egenkapital

Aksjekapital i selskapet består pr 31.12 av 30 000 aksjer à kr 1, totalt NOK 30 000.
Alle aksjer i selskapet tilhører samme aksjeklasse, og har like stemmerettigheter

Eierstruktur

Navn	Aksjer	Eierandel	Stemmeandel
Odfjell Rig III Ltd.	100	100 %	100 %
Totalt	**100**	**100 %**	**100 %**

Det ultimate morselskap er Odfjell Drilling Ltd.

	Aksjekapital	Annen innskutt kapital	Annen egenkapital	Sum
Egenkapital 01.01.2021	**30**	**10 000**	**-**	**10 030**
Årets resultat	-	-	25 829	**25 829**
Mottatt konsernbidrag	-	-	25 829	**25 829**
Avgitt konsernbidrag	-	-	(25 829)	**(25 829)**
Egenkapital 31.12.2021	**30**	**10 000**	**25 829**	**35 859**

Selskapet har avgitt konsernbidrag til Odfjell Drilling AS med skattemessig effekt og mottatt konsernbidrag fra Odfjell Drilling AS uten skattemessig effekt.

Note 12 - Nærstående transaksjoner

Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten og til markedspriser.

Avtalene om innleie av personell dekker alle kostnader knyttet til personell.

Selskapet administreres av Odfjell Drilling AS. Selskapet kjøper administrative tjenester, offshorepersonell, borerør og annet løst boreutstyr av andre selskaper i Odfjell Drilling konsernet. I 2020 ble det inngått en stacking hire agreement med Odfjell Drilling Shetland Ltd som blant annet innebærer at Deep Sea Drilling Company AS har foretatt innkjøp som skal belastes Odfjell Drilling Shetland Ltd. Dette under landligge frem til 18. februar 2021 i Norge i forbindelse med Odfjell Drilling Shetland Ltd sin eksisterende kontrakt med BP Exploration Operating Company Ltd og forberedelser til nye kontrakter med Wintershall Dea og Equinor. Innkjøpene relaterer seg til kostnader som etter administrasjonsavtalen skal belastes Odfjell Drilling Shetland Ltd. uten risiko for selskapet. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet.

Inntekt fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	Beløp 2021	Beløp 2020
Stacking hire agreement	Odfjell Drilling Shetland Ltd.	Konsernselskap	75 569	116 822
Salg av utstyr	Odfjell Invest AS	Konsernselskap	1 628	-
Salg av utstyr	Odfjell Invest II AS	Konsernselskap	99	-
Sum inntekter			**77 295**	**116 822**

Kjøp/kostnad fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	Beløp 2021	Beløp 2020
Management tjenester	Odfjell Drilling AS	Konsernselskap	73 873	17 334
Management og leie offshore personell	Deep Sea Management AS	Konsernselskap	319 412	69 382
Leie bore utstyr	Odfjell Well Services Norway AS	Konsernselskap	47 441	184
Tekniske tjenester	Odfjell Drilling Technology AS	Konsernselskap	57 896	10 188
Personelltjenester	Odfjell Drilling Philippines Corp.	Konsernselskap	29	4
Kjøp av utstyr	Odfjell Invest AS	Konsernselskap	2 455	-
Kjøp av utstyr	Odfjell Well Services UK Ltd.	Konsernselskap	817	2 473
Tekniske tjenester	Odfjell Drilling (UK) Ltd	Konsernselskap	-	153
Bareboat leie	Odfjell Drilling Shetland Ltd.	Konsernselskap	210 658	-
Sum kostnader			**712 581**	**99 717**

Note 13 - Garantistillelse

Odfjell Drilling AS har fellesregistrering knyttet til merverdiavgift for konsernets avgiftsregistrerte foretak. Selskapet inngår i denne fellesregistreringen og er således solidarisk ansvarlig for skyldig merverdiavgift i Norge.

Note 14 - Annen kortsiktig gjeld

	2021	2020
Forskudd fra kunder	64 613	-
Gjeld til kunder	4 300	-
Andre påløpte kostnader	7 731	35 620
Sum	**76 644**	**35 620**

Forskudd fra kunder er relatert til inntekter på kontrakt med Wintershall og Equinor. Forskuddet blir inntektsført over kontraktsperioden.

Note 15 - Andre kortsiktige fordringer

	2021	2020
Merverdiavgift	331	2 137
Andre forskuddsbetalte kostnader	71 445	8 922

Sum	**71 776**	**11 059**

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Til generalforsamlingen i Deep Sea Drilling Company AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert Deep Sea Drilling Company AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav,
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Bergen, 4. april 2022
KPMG

Ståle Christensen
Statsautorisert revisor
(elektronisk signert)

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-04 11:34:26 UTC

bankID

Ståle Christensen
Statsautorisert revisor
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-04 11:34:26 UTC

bankID

Annual accounts 2022

Årsrapport for 2022

Årsberetning

Årsregnskap
- Resultatregnskap
- Balanse
- Kontantstrømoppstilling
- Noter

Revisjonsberetning

Årsberetning 2022

Deep Sea Drilling Company AS

Adresse: Kokstadflaten 35, 5257 Kokstad
Org.nr: 925 500 925 MVA

Virksomhetens art
Deep Sea Drilling Company AS driver med drift av riggen Deepsea Arberdeen. Selskapet har forretningslokale i Bergen.

Utvikling i resultat og stilling
Omsetningen er i 2022 1 338 925 tusen kroner som er en oppgang på 79.02 % fra i fjor. Årsresultatet ble økt med 31.3 % til 33 915 tusen kroner. Totalkapitalen var ved utgangen av året 498 423 tusen kroner, sammenlignet med 288 182 tusen kroner året før. Egenkapitalandelen pr. 31.12.2022 var 8 % sammenlignet med 12.4 % i fjor.

Kontantstrøm fra operasjonelle aktiviteter var positiv med MNOK 37 i 2022 mot positiv MNOK 62 i 2021. Netto kontantstrøm fra finansiering var negativ med MNOK 7 i 2022 mot positiv MNOK 6 i 2021, årsak er at selskapet betalte ut konsernbidrag i 2022 avsatt i 2021 med MNOK 7 og nettokonsernbidrag i 2020 var positiv med MNOK 6 som ble innbetalt til selskapet i 2021.

Deepsea Aberdeen har en langsiktig kontrakt med Equinor om boring på Breidablikk feltet på norsk sektor i Nordsjøen.

God ordrereserve gjør sitt til at selskapet i begrenset grad vurderes eksponert for bortfall av inntekter. Selskapet vil jobbe aktivt for å sikre forlengelse og eventuelt nye kontrakter for å opprettholde omsetning i årene fremover. Det presiseres at det alltid vil være knyttet usikkerhet til fremtidig utvikling.

Styret mener at det fremlagte årsregnskapet gir et rettvisende bilde over utviklingen og resultatet av foretakets virksomhet og stilling.

Finansiell risiko
Markedsrisiko
Selskapets finansielle risiko vil først og fremst være knyttet til usikkerhet til fremtidig markedsutvikling og kontraktsdekning. Selskapet er naturlig sikret mot valutasvingninger fordi rateinntektene fra kontrakt er splittet mellom US dollar og norske kroner, med en tilsvarende fordeling på kostnader. Bareboatleie påløper og betales i US Dollar, mens øvrige driftskostnader påløper og betales i NOK. Det er i 2022 ikke inngått fremtidige terminkontrakter for å sikre driftstilknyttet valutarisiko.

Kredittrisiko
Risiko for at motparten ikke har økonomisk evne til å oppfylle sine forpliktelser anses lav. Kunden er et stort selskap med god likviditet, som gir svært lav kredittrisiko.

Likviditetsrisiko
Selskapet vurderer likviditeten i selskapet som tilfredsstillende, og det er ikke besluttet å innføre tiltak som endrer likviditetsrisiko.

Fortsatt drift
Årsregnskapet er satt opp under forutsetning om fortsatt drift og vi bekrefter at denne forutsetning er til stede.

Til grunn for antagelsen ligger fortsatt drift av riggen Deepsea Aberdeen som har en langsiktig kontrakt med Equinor om boring på Breidablikk feltet på norsk sektor i Nordsjøen.

Arbeidsmiljø
Styret anser arbeidsmiljøet som tilfredsstillende, og har ikke iverksatt spesielle tiltak på dette området i 2022. Selskapet Det har ikke vært skader eller ulykker i 2022.

Selskapet har ingen ansatte. Det er et mål om ingen alvorlige hendelser og ingen personskader knyttet til selskapets operasjoner. Det har vært registrert xx personell skader i 2022 knyttet til innleid personell. Det vises for øvrig til bærekraftrapportering på konsernnivå for en detaljert redegjørelse av styring og målsetninger for arbeidsmiljø som også gjelder for selskapet. Bærekraftrapportene er tilgjengelige på www.odfjelldrilling.com.

Likestilling
Selskapet har i 2022 ikke sysselsatt noen ansatte, men styret har hatt tre medlemmer. Styret har bestått av en kvinne og to menn.

Diskriminering
Selskapet arbeider aktivt for å forhindre diskriminering som følge av nedsatt funksjonsevne, etnisitet, nasjonal opprinnelse, hudfarge, religion eller livssyn.

Som et ledd i selskapets "Human Right Policy" er det også vedtatt forbud mot alle former for tvangsarbeid eller barnearbeid. All Odfjell Drilling's aktivitet skal være i samsvar med internasjonalt anerkjente arbeidsstandarder innenfor områder som lønn, arbeidstid, disiplinære metoder, arbeidsavtaler og arbeidsforhold. Tilsvarende krav skal også håndheves gjennom kontrakter med leverandører, samarbeidspartnere, agenter etc. Konsernet jobber med å ferdigstille «Human rights policy» i henhold til ikrafttredelse av den nye Åpenhetsloven av 1. juli 2022, som vil være klar innen 30. juni 2023 og vil da være tilgjengelig på Odfjell Drilling's offentlige webside; www.odfjelldrilling.com.

Ytre miljø
Selsapets virksomhet forurenser ikke det ytre miljø.

Konsernet selskapet er en del av har som ledd i sin bærekraftstrategi fokus på utslipp til luft, sjø og land, samt håndtering av avfall. Disse fokusområdene er reflektert i konsernets HMS program som gjelder for alle selskapene i Odfjell Drilling konsernet. En inngående beskrivelse av prosedyrer, målsetninger og tilhørende måltall for oppnåelse kan finnes i bærekraftrapportene som er gjort offentlig tilgjengelige på konsernets nettside, www.odfjelldrilling.com. Risikovurdering for utslippskilder og samsvarsvurderinger mot miljøregelverk er blitt gjennomført som en del av ISO 14001-prosessen. Det har ikke vært rapporteringspliktige utslipp i 2022.

Styreansvarsforsikring
Det er tegnet forsikring på konsernnivå for styrets medlemmer og daglig leder for deres mulige ansvar overfor selskapet og tredjepersoner. Forsikringen er begrenset til kr.75 mill per år og per hendelse.

Bergen, 25. april 2023
Styret for Deep Sea Drilling Company AS

Kjetil Gjersdal	Frode Skage Syslak	Janike Amundsen Myre
Styrets leder/daglig leder	Styremedlem	Styremedlem

Resultatregnskap

Beløp vises i tusen kr	Note	2022	2021
Driftsinntekter			
Driftsinntekter	2, 3	1 338 925	747 932
Driftskostnader			
Bareboat leie	4, 7	593 874	210 658
Lønnskostnad	5, 7	319 860	273 825
Annen driftskostnad	6, 7	394 549	227 309
Sum driftskostnader		1 308 282	711 792
Driftsresultat		30 643	36 140
Finansinntekter og finanskostnader			
Annen finansinntekt	8	12 854	4
Annen finanskostnad	8	17	3 030
Netto finansposter		12 837	-3 025
Ordinært resultat før skattekostnad		43 480	33 114
Skattekostnad på ordinært resultat	10	9 566	7 285
Årsresultat		33 915	25 829
Overføringer og disponeringer			
Ordinært utbytte	11	30 000	0
Avgitt konsernbidrag	11	0	25 829
Overføringer annen egenkapital	11	3 915	0
Sum disponert		33 915	25 829

Balanse pr. 31. desember

Beløp vises i tusen kr	Note	2022	2021
Omløpsmidler			
Fordringer			
Kundefordringer	12, 13	287 882	147 497
Andre fordringer	12, 13	111 995	71 776
Sum fordringer		399 877	219 274
Bankinnskudd, kontanter og lignende	14	98 546	68 909
Sum omløpsmidler		498 423	288 182
Sum eiendeler		498 423	288 182

Balanse pr. 31. desember

Beløp vises i tusen kr	Note	2022	2021
Egenkapital			
Innskutt egenkapital			
Aksjekapital	11, 15	30	30
Annen innskutt egenkapital	11	10 000	10 000
Sum innskutt egenkapital		10 030	10 030
Opptjent egenkapital			
Annen egenkapital	11	29 744	25 830
Sum egenkapital		39 774	35 860
Gjeld			
Kortsiktig gjeld			
Leverandørgjeld	12, 13	178 507	77 184
Betalbar skatt	10	9 566	0
Annen kortsiktig gjeld	12, 13	270 576	175 139
Sum kortsiktig gjeld		458 649	252 323
Sum gjeld		458 649	252 323
Sum egenkapital og gjeld		498 423	288 182

Bergen, 25. april 2023

Kjetil Gjersdal	Frode Skage Syslak	Janike Amundsen Myre
Styrets leder/daglig leder	Styremedlem	Styremedlem

Kontantstrømoppstilling

Beløp vises i tusen kr	**Note**	**2022**	**2021**
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		43 480	33 114
Endring i varelager, kundefordringer og leverandørgjeld		-102 237	-125 534
Endring i andre tidsavgrensningsposter		22 467	-19 693
Endring i kortsiktig konsernmellomværende ekskl. konsernbidrag		73 212	173 782
Netto kontantstrøm fra operasjonelle aktiviteter		36 922	61 669
Kontantstrømmer fra investeringsaktiviteter			
Netto kontantstrøm fra investeringsaktiviteter		0	0
Kontantstrømmer fra finansieringsaktiviteter			
Inn-/utbetalinger av konsernbidrag		-7 285	6 173
Netto kontantstrøm fra finansieringsaktiviteter		-7 285	6 173
Netto endring i likvider i året		29 637	67 842
Kontanter og bankinnskudd per 01.01		68 909	1 067
Kontanter og bankinnskudd per. 31.12		98 546	68 909

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 1 - Regnskapsprinsipper

Årsregnskapet består av resultatregnskap, balanse, noteopplysninger, kontantstrømoppstilling og er avlagt i samsvar med regnskapslov og god regnskapsskikk i Norge. Norske kroner benyttes som funksjonell og rapporterings valuta i regnskapet.

Selskapet er en del av Odfjell Drilling konsernet. Det ultimate morselskap er Odfjell Drilling Ltd som har forretningskontor i Aberdeen, Scotland, United Kingdom.
Konsernregnskapet er tilgjengelig på selskapets hjemmeside: www.odfjelldrilling.com.

Salgsinntekter
Inntekter fra salg av varer resultatføres når levering har funnet sted og det vesentligste av risiko og avkastning er overført.
Inntekter fra salg av tjenester og langsiktige tilvirkingsprosjekter resultatføres i takt med prosjektets fullføringsgrad, når utfallet av transaksjonen kan estimeres på en pålitelig måte. Fremdriften måles som påløpte timer i forhold til totalt estimerte timer. Når transaksjonens utfall ikke kan estimeres pålitelig, vil kun inntekter tilsvarende påløpte prosjektkostnader inntektsføres. I den perioden det blir identifisert at et prosjekt vil gi et negativt resultat, vil det estimerte tapet på kontrakten bli resultatført i sin helhet.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Fordringer
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Leasing / leieavtaler
Det skilles mellom finansiell og operasjonell leasing. Driftsmidler finansiert ved finansiell leasing er regnskapsmessig klassifisert under varige driftsmidler. Motposten er medtatt som langsiktig gjeld. Leiebeløp fordeles mellom rentekostnad og avdrag på gjelden.
Operasjonell leasing kostnadsføres som driftskostnad basert på fakturert leasingleie.

Skatter
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttiggjort.

Noter til regnskapet for 2022
Beløp vises i tusen kr

Bruk av estimater
Ledelsen har brukt estimater og forutsetninger som har påvirket resultatregnskapet og verdsettelsen av eiendeler og gjeld, samt usikre eiendeler og forpliktelser på balansedagen under utarbeidelsen av årsregnskapet i henhold til god regnskapsskikk.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.

Note 2 - Driftsinntekter
Beløp vises i tusen kr

	2022	2021
Pr. virksomhetsområde		
Rater fra operasjoner	1 129 805	719 403
Utleie av utstyr og personell	15 635	14 243
Andre driftsinntekter	49 521	12 286
Annen inntekt	143 963	2 000
	1 338 925	747 932

8. mai var det oppstart på borekontrakten for Equinor på Breidablikk. Nåværende faste brønnprogram har forventet varighet frem til Q4 2024 med mulighet for forlengelse.

Selskapets inntekter i 2022 er i sin vesentlighet knyttet til utleie av Deepsea Aberdeen til virksomhet i Nordsjøen.

Note 3 - Nærstående transaksjoner - Inntekt fra nærstående parter
Beløp vises i tusen kr

Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten og til markedspriser.

Beskrivelse nærstående	*Type transaksjon*	2022	2021
OD Ltd Group - Konsernselskap	Stacking hire agreement*	0	75 569
OD Ltd Group - Konsernselskap	Salg av utstyr	5 960	1 726
OT Ltd group - Nærstående part	Salg av utstyr	19	0
Sum inntekter		5 980	77 295

*Stacking hire agreement er ikke relevant når riggen er i operasjon. Inngås kun i idle perioder.

Selskapet er en del av konsernet Odfjell Drilling Ltd (OD Ltd Group) og inngår i konsolidert konsernregnskap. OD Ltd Group er nærstående til konsernet Odfjell Technology Ltd (OT Ltd Group).

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 4 - Vesentlige leieavtale - Bareboat

Selskapet har følgende forspliktelser for løpende innleieavtaler per 31.12.2022:

Driftsmiddel:
Bareboat leie av rigg Deepsea Aberdeen

Kostnad: MNOK 594 i 2022 mot MNOK 211 i 2021.

Varighet:
19.02.2021 - 30.09.2024

Kjøpsopsjon:
Nei

Bareboat beregnes månedlig ut fra operasjonsrate, justert for driftskostnad ved operasjon og en fastsatt margin.

Note 5 - Lønnskostnader, antall ansatte, lån til ansatte og godtgjørelse til revisor

Beløp vises i tusen kr

Lønnskostnader	**2022**	**2021**
Innleid personell	319 860	273 825

Selskapet har i regnskapsåret sysselsatt totalt 0 årsverk.

Selskapet administreres av Odfjell Drilling AS. Kostnader knyttet til daglig leder er inkludert i management fee til Odfjell Drilling AS. Det er ingen ansatte i selskapet. Alt offshore personell leies inn fra nærstående part, Deep Sea Management AS.

Det er ikke gitt ytelser til styret for inneværende år.

Det er ikke ytet lån eller stilt garantier til styreleder eller andre nærstående parter.

Ytelser til ledende personer

Selskapet er ikke pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon.

Godtgjørelse til revisor er fordelt på følgende:	**2022**	**2021**
Lovpålagt revisjon	100	75

Merverdiavgift er ikke inkludert i revisjonshonoraret.

Noter til regnskapet for 2022
Beløp vises i tusen kr

Note 6 - Driftskostnader
Beløp vises i tusen kr

	2022	2021
Innleid utstyr og tjenester	209 056	61 619
Management fee	63 013	61 640
Øvrige leiekostnader	83	235
Diverse verktøy og reservedeler	66 368	57 547
Vedlikehold, reparasjon og inspeksjon av utstyr	19 323	4 241
Andre driftskostnader	36 605	41 952
Lovpålagt revisjon	100	75
Sum	394 549	227 309

Note 7 - Nærstående transaksjoner - kjøp/kostnad fra nærstående parter
Beløp vises i tusen kr

Selsakpet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som en del av den ordinære virksomheten og til markedspriser.

Avtalene om innleie av personell dekker alle kostnader knyttet til personell.

Selskapet administreres av Odfjell Drilling AS. Selskapet kjøper administrative tjenester, offshorepersonell, borerør og annet løst boreutstyr av andre selskaper i Odfjell Drilling konsernet.

Nærståede part	*Nærstående part*	2022	2021
OD Ltd Group - Konsernselskap	Management tjenester	63 013	73 873
OD Ltd Group - Konsernselskap	Management / leie offshore per	342 207	319 412
OT Ltd Group - Nærstående part	Kjøp av utstyr	0	817
OT Ltd Group - Nærstående part	Personell-/ tekniske tjenester	87 069	57 925
OD Ltd Group - Konsernselskap	Kjøp av utstyr	1 078	2 455
OT Ltd Group - Nærstående part	Leie av boreutstyr	112 795	47 441
OD Ltd Group - Konsernselskap	Bareboat leie	593 874	210 658
Sum kostnader		1 200 036	712 581

Selskapet er en del av konsernet Odfjell Drilling Ltd (OD Ltd Group) og inngår i konsolidert konsernregnskap. OD Ltd Group er nærstående til konsernet Odfjell Technology Ltd (OT Ltd Group).

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 8 - Finansinntekter og kostnader

Beløp vises i tusen kr

Finansinntekter	**2022**	**2021**
Renteinntekter	909	1
Netto valutagevinst	11 930	0
Andre finansinntekter	15	3
Sum finansinntekter	12 854	4

Finanskostnader	**2022**	**2021**
Rentekostnader	-9	-13
Netto valutatap	0	-3 009
Andre finanskostnader	-8	-8
Sum finanskostnader	-17	-3 030

Note 9 - Finansiell markedsrisiko

Beløp vises i tusen kr

Valutarisiko

Deep Sea Drilling Company AS ønsker å redusere eksponering for svingninger i valutakursene ved å søke en best mulig balanse mellom innbetalinger og utbetalinger i samme valuta.

Note 10 - Skatt

Beløp vises i tusen kr

Årets skattekostnad fordeler seg på:	**2022**	**2021**
Betalbar skatt	9 566	7 285
Årets totale skattekostnad	9 566	7 285

Beregning av årets skattegrunnlag:	**2022**	**2021**
Ordinært resultat før skattekostnad	43 480	33 114
Endring i midlertidige forskjeller	0	0
Alminnelig inntekt	43 480	33 114
Ytet konsernbidrag	0	-33 114
Årets skattegrunnlag	43 480	0
Betalbar skatt (22%) av årets skattegrunnlag	9 566	0

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 11 - Egenkapital

Beløp vises i tusen kr

	Aksjekapital	Annen innskutt egenkapital	Annen egenkapital	Sum
Egenkapital 01.01.2022	30	10 000	25 830	35 860
Årsresultat	0	0	33 915	33 915
Avsatt utbytte	0	0	-30 000	-30 000
Egenkapital 31.12.2022	30	10 000	29 744	39 774

Selskapet har avgitt utbytte til morselskap Odfjell Rig III Ltd.

Note 12 - Kundefordringer, andre fordringer, leverandørgjeld og annen kortsiktig gjeld

Beløp vises i tusen kr

Kundefordringer	2022	2021
Kundefordringer - ekstern	253 312	122 854
Kundefordringer - konsern, se note 13	34 571	24 643
Sum kundefordringer	287 882	147 497

Andre kortsiktige fordringer	2022	2021
Forskuddsbetalinger og andre fordringer	9 639	8 172
MVA	5 440	331
Kapitaliserte kontraktskostnader	29 964	63 273
Andre fordringer - konsern, se note 13	66 952	0
Sum andre kortsiktige fordringer	111 995	71 776

Leverandørgjeld	2022	2021
Leverandørgjeld - ekstern	-62 594	-34 372
Leverandørgjeld - konsern, se note 13	-115 913	-42 812
Sum leverandørgjeld	-178 507	-77 184

Annen kortsiktig gjeld	2022	2021
Forskudd fra kunder	-85 193	-64 613
Andre påløpte kostnader	-32 136	-12 031
Annen kortsiktig gjeld - konsern, se note 13	-153 247	-98 495
	-270 576	-175 139

Forskudd fra kunder er relatert til inntekter på kontrakt med Wintershall og Equinor. Forskuddet blir inntektsført over kontraktsperioden.

Noter til regnskapet for 2022
Beløp vises i tusen kr

Note 13 - Mellomværende med selskap i samme konsern m.v
Beløp vises i tusen kr

Fordringer og gjeld mellom konsernselskaper knytter seg til den løpende drift og konsernbidrag.

Kortsiktige driftsrelaterte fordringer	**2022**	**2021**
OD Ltd Group - Konsernselskaper	101 523	24 643
Sum driftsrelaterte fordringer	101 523	24 643

Kortsiktig driftsrelatert gjeld	**2022**	**2021**
OD Ltd Group - Konsernselskap	-190 827	-98 763
OT Ltd Group - Nærstående part	-48 333	-35 259
Sum driftsrelatert gjeld	-239 160	-134 022

Konsernbidrag og utbytte	**2022**	**2021**
OD Ltd Group - Konserenselskap - avgitt konsernbidrag	0	-7 285
OD Ltd Group - Konserenselskap - avgitt utbytte	-30 000	0
Sum konsernbidrag/utbytte: avgitt (-) / mottatt (+)	-30 000	-7 285

Note 14 - Bankinnskudd
Beløp vises i tusen kr

Selskapet har ingen ansatte og således ingen bundne midler og ingen trekkrettigheter.

Tidsinnskudd USD: MNOK 20 i 2022 mot MNOK 0 i 2021.

Note 15 - Aksjekapital og aksjonærinformasjon
Beløp vises i tusen kr

Aksjekapitalen består av:

	Antall	**Pålydende**	**Balanseført**
Ordinære aksjer	30 000	1	30

Alle aksjer i selskapet tilhører samme aksjeklasse, og har like stemmerettigheter.

Oversikt over aksjonærene i selskapet pr. 31.12:

	Ordinære aksjer	**Eier-andel**	**Stemme-andel**
Odfjell Rig III Ltd	30 000	100 %	100 %

Det ultimate morselskap er Odfjell Drilling Ltd.

Note 16 - Garantistillelse

Odfjell Drilling AS har fellesregistrering knyttet til merverdiavgift for konsernets avgiftsregistrerte foretak. Selskapet inngår i denne fellesregistreringen og er således solidarisk ansvarlig for skyldig merverdiavgift i Norge.

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

Til generalforsamlingen i Deep Sea Drilling Company AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Deep Sea Drilling Company AS som består av balanse per 31. desember 2022, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2022, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen og annen øvrig informasjon som er publisert sammen med årsregnskapet. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker verken informasjonen i årsberetningen eller annen øvrig informasjon.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen og annen øvrig informasjon. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen, annen øvrig informasjon og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen og annen øvrig informasjon ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen eller annen øvrig informasjon fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av intern kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i intern kontroll som vi avdekker gjennom revisjonen.

Bergen, 28. april 2023
KPMG AS

Ståle Christensen
Statsautorisert revisor
(elektronisk signert)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 77.18.xxx.xxx
2023-04-28 14:03:15 UTC

bank ID

H1 2023

Deep Sea Drilling Company AS

Sammendratt delårsregnskap for første halvår 2023

Deep Sea Drilling Company AS

SAMMENDRATT RESULTATREGNSKAP

Beløp i NOK 1000	Note	1. januar - 30. juni 2023	1. januar - 30. juni 2022
DRIFTSINNTEKTER	2	***827,998***	***515,385***
Bareboat leie	5	(394,052)	(175,578)
Lønnskostnad		(184,509)	(157,557)
Andre driftskostnader		(219,288)	(160,008)
DRIFTSRESULTAT		***30,150***	***22,243***
Netto finansposter	*3*	*(6,241)*	*12,194*
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		***23,909***	***34,437***
Skattekostnad på ordinært resultat		(5,260)	(7,576)
PERIODENS RESULTAT		***18,649***	***26,861***

Deep Sea Drilling Company AS

SAMMENDRATT BALANSEOPPSTILLING

Beløp i NOK 1000	Note	30.06.2023	31.12.2022
EIENDELER			
Omløpsmidler			
Kundefordringer		192,165	287,882
Andre kortsiktige fordringer		24,475	111,995
Bankinnskudd, kontanter og lignende		118,630	98,546
Sum omløpsmidler		***335,270***	***498,423***
SUM EIENDELER		***335,270***	***498,423***
EGENKAPITAL			
Aksjekapital	4	30	30
Annen innskutt egenkapital	4	10,000	10,000
Annen egenkapital	4	48,393	29,744
SUM EGENKAPITAL		***58,423***	***39,774***
GJELD			
Kortsiktig gjeld			
Leverandørgjeld		133,470	178,507
Betalbar skatt		5,260	9,566
Annen kortsiktig gjeld		138,117	270,576
Sum kortsiktig gjeld		***276,847***	***458,649***
Sum gjeld		***276,847***	***458,649***
SUM EGENKAPITAL OG GJELD		***335,270***	***498,423***

Styret i Deep Sea Drilling Company AS
Bergen, 6.september 2023

Kjetil Gjersdal	Frode S. Syslak	Janike A. Myre
Styrets leder / daglig leder	Styremedlem	Styremedlem
(Sign.)	(Sign.)	(Sign.)

Deep Sea Drilling Company AS

SAMMENDRATT KONTANTSTRØMSOPPSTILLING

Beløp i NOK 1000	1. januar - 30. juni 2023	1. januar - 30. juni 2022
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER		
Resultat før skattekostnad	23,909	34,437
Justering for avsetninger og andre tidsavgresningsposter	0	7,285
Endring i arbeidskapital	35,741	(97,217)
Betalte skatter	(9,566)	-
Netto kontantstrøm fra operasjonelle aktiviteter	**50,084**	**(55,495)**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER		
Netto kontantstrømmer fra investeringsaktiviteter	**-**	**-**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER		
Utbetalinger av konsernbidrag og utbytter	(30,000)	(7,285)
Netto kontantstrøm fra finansieringsaktiviteter	**(30,000)**	**(7,285)**
Netto endring i likvider i året	20,084	(62,780)
Kontanter og kontantekvivalenter per 01.01	98,546	68,909
Kontanter og kontantekvivalenter per 30.06	**118,630**	**6,128**

Note 1 - Regnskapsprinsipper

Generell informasjon
Deep Sea Drilling Company AS driver med drift av riggen Deepsea Arberdeen. Selskapet har forretningslokale i Bergen.

Selskapet er en del av Odfjell Drilling konsernet. Det ultimate morselskap er Odfjell Drilling Ltd som har forretningskontor i Aberdeen, Scotland, United Kingdom.
Konsernets delårsrapporter er tilgjengelig på selskapets hjemmeside www.odfjelldrilling.com.

Delårsregnskapet ble vedtatt av styret 6.september 2023 og har ikke blitt revidert.

Basis for utarbeidelse
Dette sammendratte delårsregnskapet for seksmånedersperioden fra 1. januar til 30. juni 2023 er utarbeidet i samsvar med NRS 11 Delårsregnskap. Delårsregnskapet har ikke med alle noter som normalt inngår i et årsregnskap. Denne rapporten skal derfor leses i sammenheng med årsrapporten for året som ble avsluttet 31.desember 2022.

Regnskapsprinsipper
Regnskapsprinsippene anvendt ved utarbeidelse av delårsregnskapet er konsistente med prinsipper anvendt i tidligere årsregnskap, som er avlagt i samsvar med regnskapslov og god regnskapsskikk i Norge.

Bruk av estimater
Utarbeidelse av regnskaper i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn.

Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for delårsregnskapet er de samme som beskrevet i årsregnskapet for 2022.

Det vil alltid være usikkerhet knyttet til skjønn og forutsetninger benyttet i regnskapsestimater.

Note 2 - Driftsinntekter

Selskapets inntekter er knyttet til en langsiktig boring kontrakt med Equinor for riggen Deepsea Aberdeen på felt i Nordsjøen. All inntekt er dermed allokert til Norge.

Note 3 - Netto finansposter

Beløp i NOK 1000	1.1.-30.06. 2023	1.1.-30.06. 2022
Renteinntekter bankinnskudd	2,536	72
Rentekostnader *	(2,927)	(1)
Netto valutagevinst / (valutatap)	(5,833)	12,124
Øvrige finansposter	(16)	-
Netto finansposter	**(6,241)**	**12,194**

* Rentekostnadene i 2023 er i hovedsak relatert til factoringavtale med Equinor.

Note 4 - Egenkapital

Beløp i NOK 1000	Aksjekapital	Annen innskutt egenkapital	Annen egenkapital	*Sum egenkapital*
Egenkapital 1.1.2022	*30*	*10,000*	*25,830*	*35,860*
Resultat i perioden	-	-	26,861	26,861
Egenkapital 30.06.2022	***30***	***10,000***	***52,690***	***62,720***
Resultat i andre halvår 2022	-	-	7,054	7,054
Avsatt utbytte i andre halvår 2022	-	-	(30,000)	(30,000)
Egenkapital 31.12.2022	***30***	***10,000***	***29,744***	***39,774***
Resultat i perioden	-	-	18,649	18,649
Egenkapital 30.06.2023	***30***	***10,000***	***48,393***	***58,423***

Note 5 - Nærstående transaksjoner og mellomværende

Selskapets ultimate morselskap er Odfjell Drilling Ltd, og alle selskap i Odfjell Drilling konsernet ("ODL konsern") er ansett som nærstående. Hovedaksjonær i Odfjell Drilling Ltd er også hovedaksjonær i Odfjell Drilling Technology Ltd. Alle selskap i Odfjell Technology konsernet ("OTL konsern") er derfor også definert som nærstående. Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten i selskapet.

Selskapet har ikke hatt vesentlig inntekt fra nærstående parter i periodene dekket av dette delårsregnskapet.

Kjøp/kostnad fra nærstående parter

Type transaksjon	Nærstående part	1.1.-30.06. 2023	1.1.-30.06. 2022
Bareboat leie	Odfjell Drilling Shetland Ltd.	(394,052)	(175,578)
Leie offshore personell	Selskaper i ODL konsern	(187,167)	(170,072)
Øvrige personellkostnader	Selskaper i ODL konsern	(466)	-
Øvrige personellkostnader	Selskaper i OTL konsern	(3,801)	(18,625)
Management tjenester	Selskaper i ODL konsern	(26,665)	(31,898)
Øvrige andre driftskostnader	Selskaper i ODL konsern	(97)	(1,078)
Øvrige andre driftskostnader	Selskaper i OTL konsern	(67,994)	(48,323)
Sum kjøp fra nærstående parter		**(680,242)**	**(445,574)**

Mellomværende med nærstående parter

Regnskapslinje	Nærstående part	30.06.2022	31.12.2022
Kundefordringer	Selskaper i ODL konsern	6	34,571
Andre fordringer	Selskaper i ODL konsern	2,490	66,952
Leverandørgjeld	Selskaper i ODL konsern	(55,968)	(76,597)
Leverandørgjeld	Selskaper i OTL konsern	(20,488)	(39,316)
Annen kortsiktig gjeld	Selskaper i ODL konsern	(53,332)	(114,231)
Annen kortsiktig gjeld	Selskaper i OTL konsern	(9,760)	-
Netto driftsrelaterte fordringer og gjeld		**(137,052)**	**(128,621)**
Avsatt utbytte	Odfjell Rig III Ltd	-	(30,000)
Sum fordringer og gjeld til nærstående parter		**(137,052)**	**(158,621)**

Konsernets kortsiktige mellomværende forfaller til betaling innen ett år etter regnskapsårets utgang.

Note 6 - Garantistillelse

Selskapet er garantist for et USD 390 millioner obligasjonslån utstedt i mai 2023 av morselskapet Odfjell Rig III Ltd.

Appendix R – Annual and Interim Financial Statements for Odfjell Invest AS

Annual accounts 2021

List of Signatures

Odfjell Invest AS Årsregnskap 2021.pdf

Name	Method	Signed at
Jone Torstensen	One-Time-Password	2022-03-22 17:03 GMT+01
Lieungh, Simen	BANKID_MOBILE	2022-03-22 15:05 GMT+01
Gjersdal, Kjetil	BANKID_MOBILE	2022-03-22 14:33 GMT+01

Årsregnskap 2021

Odfjell Invest AS

ODFJELL INVEST AS

Styrets årsberetning 2021

VIRKSOMHETENS ART

Driftsselskapet, Odfjell Invest AS, har i 2021 forestått den operasjonelle drift av de mobile plattformene ”Deepsea Atlantic" og ”Deepsea Stavanger". Selskapet har inngått bareboat-avtaler med de riggeiende selskapene Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd.

Selskapet har kontorsted i Bergen. Odfjell Invest AS er et datterselskap av Odfjell Drilling AS.

Odfjell Invest AS har ingen ansatte. Administrative tjenester og personell tjenester kjøpes hovedsakelig fra Odfjell Drilling AS og Deep Sea Management AS.

MARKEDSSITUASJON OG FREMTIDIG UTVIKLING

«Deepsea Atlantic» hadde oppstart på Johan Sverdrup Fase 2 med Equinor 31. desember 2021 etter å ha fullført en rekke brønner under "Master Frame Agreement" avtalen med Equinor i 2021. Riggen er forventet å ha full operasjon til midten av 2023 under Johan Sverdrup Fase 2 kontrakten.

Etter en suksessfull boreoperasjon i Sør Afrika for Total, hvor ikke Odfjell Invest var kontraktspart, hadde ”Deepsea Stavanger" oppstart på kontrakt for Aker BP 10. april 2021. Denne kontrakten hadde varighet til begynnelsen av juli 2021 og riggen startet deretter operasjon for Lundin 7. juli 2021. Denne kontrakten ble ferdigstilt i slutten av oktober 2021 hvoretter riggen returnerte for en siste brønn for Aker BP. Kontrakten med Aker BP ble ferdigstilt 8. november 2021 og riggen returnerte igjen til operasjon for Lundin 1. januar 2022 for en ett brønns program. ”Deepsea Stavanger" ferdigstilte denne brønnen i slutten av januar 2022 og 1. februar 2022 hadde riggen oppstart på arbeid under «Master Frame Agreement» med Equinor. Nåværende faste brønnprogram med Equinor har forventet varighet inn i Q3 2022.

God ordrereserve gjør sitt til at selskapet i begrenset grad vurderes eksponert for bortfall av inntekter. Selskapet vil jobbe aktivt for å sikre forlengelse og eventuelt nye kontrakter for å opprettholde omsetning i årene fremover. Det presiseres at det alltid vil være knyttet usikkerhet til fremtidig utvikling.

FORTSATT DRIFT

Selskapet har et positivt driftsresultat i 2021. Selskapet har også sikret kontrakter med Lundin og Equinor inn i Q3 2022. Styret mener at inngåtte kontrakter sikrer positiv inntjening og likviditet i selskapet i 2022 og de nærmeste årene. I samsvar med regnskapsloven § 3-3a bekreftes det således at forutsetning om fortsatt drift er til stede.

FINANSIELL RISIKO

Markedsrisiko

Selskapets finansielle risiko vil først og fremst være knyttet til usikkerhet til fremtidig markedsutvikling og kontraktsdekning. Selskapet er naturlig sikret mot valutasvingninger fordi rateinntektene fra kontrakt er splittet mellom US dollar og norske kroner, med en tilsvarende fordeling på kostnader. Bareboatleie påløper og betales i US Dollar, mens øvrige driftskostnader påløper og betales i NOK. Det er i 2021 ikke inngått fremtidige terminkontrakter for å sikre driftstilknyttet valutarisiko.

Kredittrisiko
Risiko for at motparten ikke har økonomisk evne til å oppfylle sine forpliktelser anses lav, da det historisk sett har vært lite tap på fordringer. Hovedkundene er børsnoterte selskap med god likviditet.

Likviditetsrisiko
Selskapet vurderer likviditeten som tilfredsstillende på kort sikt, og det er ikke besluttet å innføre tiltak som endrer likviditetsrisiko.

REDEGJØRELSE FOR ÅRSREGNSKAPET

Resultat
Omsetningen var på 1 705,7 MNOK, mot fjorårets omsetning på 1 614,6 MNOK. Driftsresultatet viser et overskudd på 69,3 MNOK, mot tilsvarende 50,8 MNOK året før. Overskuddet for året er på 57,8 MNOK etter skatt. Overskuddet i 2020 var på 42,1 MNOK.

Balanse
Totalkapitalen er 486,3 MNOK, og egenkapitalen er på 22,3 % pr 31. desember 2021.

Kontantstrøm
Beholdningen av likvider er 168,3 MNOK pr 31.12.2021. Netto kontantstrøm fra operasjonelle aktiviteter er positiv med 218,4 MNOK. Forskjell mellom kontantstrøm fra drift og resultat før skatt skyldes i hovedsak reduserte fordringer på konsernselskaper delvis motregnet av økning i kundefordringer.

MILJØ

Arbeidsmiljø
Selskapet har ingen egne ansatte. Det er et mål om ingen alvorlige hendelser og ingen personskader knyttet til selskapets operasjoner. Det har vært registrert en personell skade i 2021 knyttet til innleid personell. Det vises for øvrig til bærekraftrapportering på konsernnivå for en detaljert redegjørelse av styring og målsetninger for arbeidsmiljø som også gjelder for selskapet. Bærekraftrapportene er tilgjengelige på www.odfjelldrilling.com.

Ytre miljø
Konsernet selskapet er en del av har som ledd i sin bærekraftstrategi fokus på utslipp til luft, sjø og land, samt håndtering av avfall. Disse fokusområdene er reflektert i konsernets HMS program som gjelder for alle selskapene i Odfjell Drilling konsernet. En inngående beskrivelse av prosedyrer, målsetninger og tilhørende måltall for oppnåelse kan finnes i bærekraftrapportene som er gjort offentlig tilgjengelige på konsernets nettside, www.odfjelldrilling.com. Risikovurdering for utslippskilder og samsvarsvurderinger mot miljøregelverk er blitt gjennomført som en del av ISO 14001-prosessen. Det er registrert ett rapporteringspliktig utslipp knyttet til "Deepsea Atlantic" og ingen rapporteringspliktig utslipp knyttet til "Deepsea Stavanger " i 2021.

FORSIKRING FOR STYRETS MEDLEMMER OG DAGLIG LEDER

Det er tegnet forsikring på konsernnivå for styrets medlemmer og daglig leder for deres mulige ansvar overfor selskapet og tredjepersoner. Forsikringen er begrenset til 75 MNOK per år og per hendelse.

ÅRSRESULTAT OG DISPONERINGER

Styret i Odfjell Invest AS forslår følgende disponering av årets overskudd på NOK 57 771 295.

Overført til annen egenkapital	kr	205
Avgitt konsernbidrag (etter skatt)	kr	57 771 090
Sum overføringer og disponeringer	kr	57 771 295

Bergen, 21. mars 2022

Jone Torstensen	Kjetil Gjersdal	Simen Lieungh
Styremedlem	Styremedlem/ Daglig Leder	Styrets leder

Odfjell Invest AS

RESULTATREGNSKAP

Beløp i NOK 1000	Note	2021	2020
DRIFTSINNTEKTER			
Driftsinntekter	2	***1 705 647***	***1 614 590***
DRIFTSKOSTNADER			
Bareboat leie	3, 12	736 927	812 928
Lønnskostnad	4,12	507 660	437 994
Andre driftskostnader	4, 5, 12	391 791	312 902
Sum andre driftskostnader		***1 636 377***	***1 563 824***
DRIFTSRESULTAT		***69 269***	***50 766***
FINANSINNTEKTER OG FINANSKOSTNADER			
Finansinntekter	6	5 434	5 042
Finanskostnader	6	(637)	(1 814)
Netto finansposter		***4 796***	***3 228***
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		***74 066***	***53 995***
Skattekostnad på ordinært resultat	8	16 294	11 879
ÅRSRESULTAT		***57 771***	***42 116***
Opplysninger om avsetninger til:			
Avsatt til konsernbidrag (etter skatt)		57 771	42 115
Avsatt til / (overført fra) annen egenkapital	11	-	1
Sum disponert		***57 771***	***42 116***

Odfjell Invest AS

EIENDELER

Beløp i NOK 1000	Note	31.12.2021	31.12.2020
OMLØPSMIDLER			
Fordringer			
Kundefordringer		147 276	103 124
Fordringer på selskap i samme konsern	9	161 281	259 385
Andre kortsiktige fordringer		9 411	14 452
Sum fordringer		***317 967***	***376 961***
Bankinnskudd, kontanter og lignende	10	168 315	3 874
Sum omløpsmidler		***486 282***	***380 835***
SUM EIENDELER		**486 282**	***380 835***

Odfjell Invest AS

EGENKAPITAL OG GJELD

Beløp i NOK 1000	Note	31.12.2021	31.12.2020
EGENKAPITAL			
Innskudd egenkapital			
Aksjekapital (100 aksjer á kr 2 000)	11	200	200
Annen innskutt egenkapital	11	69 582	69 582
Sum innskutt egenkapital		***69 782***	***69 782***
Opptjent egenkapital			
Annen egenkapital	11	38 504	38 504
Sum opptjent egenkapital		***38 504***	***38 504***
Sum egenkapital		***108 285***	***108 286***
GJELD			
Kortsiktig gjeld			
Leverandørgjeld		60 084	47 474
Betalbar skatt	8	-	-
Gjeld til selskap i samme konsern	9	260 019	180 084
Annen kortsiktig gjeld	14	57 895	44 991
Sum kortsiktig gjeld		***377 997***	***272 549***
Sum gjeld		***377 997***	***272 549***
SUM EGENKAPITAL OG GJELD		***486 282***	***380 835***

Bergen, 21. mars 2022

Jone Torstensen styremedlem	Kjetil Gjersdal styremedlem/ daglig leder	Simen Lieungh styrets leder

Odfjell Invest AS

KONTANTSTRØMSANALYSE

Beløp i NOK 1000	Note	2021	2020
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER			
Ordinært resultat før skattekostnad		74 066	53 995
Betalte skatter	8	-	-
Endring i kundefordringer og leverandørgjeld		(31 542)	185 197
Endring i kortsiktig konsernmellomværende ekskl. konsernbidrag		157 966	(208 840)
Endring i andre tidsavgrensningsposter		17 946	(41 549)
Netto kontantstrøm fra operasjonelle aktiviteter		**218 435**	**(11 197)**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER			
Netto kontantstrømmer fra investeringsaktiviteter		**-**	**-**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER			
Utbetalinger av konsernbidrag		(53 994)	(50 465)
Netto kontantstrøm fra finansieringsaktiviteter		**(53 994)**	***(50 465)***
Netto endring i likvider i året		164 441	(61 662)
Kontanter og kontantekvivalenter per 01.01		3 874	65 536
Kontanter og kontantekvivalenter per 31.12	10	**168 315**	***3 874***

Note 1 - Regnskapsprinsipper

Årsregnskapet består av resultatregnskap, balanse, noteopplysninger, kontantstrømoppstilling og er avlagt i samsvar med regnskapslov og god regnskapsskikk i Norge. Norske kroner benyttes som funksjonell og rapporterings valuta i regnskapet.

Selskapet er en del av Odfjell Drilling konsernet. Det ultimate morselskap er Odfjell Drilling Ltd som har forretningskontor i Aberdeen, Scotland, United Kingdom.
Konsernregnskapet er tilgjengelig på selskapets hjemmeside www.odfjelldrilling.com

Bruk av estimater
Utarbeidelse av regnskaper i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

Valuta
Transaksjoner i annen valuta som er med i resultatregnskapet er omregnet til norske kroner etter månedlige kurser. Pengeposter i utenlandsk valuta er omregnet til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Inntektsføring
Selskapets inntekter kommer fra operasjonell drift av mobile plattformer og består i hovedsak av dagrater for utleie av boreriggene "Deepsea Altantic" og "Deepsea Stavanger"
Inntektsføringen skjer i den perioden tjenesten er utført.

Kostnader selskapet pådrar seg og håndterer på vegne av andre uten risiko for selskapet, belastes med påslag for administrasjon. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet. Påslag for administrasjon presenteres som driftsinntekter.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttegjort. Utsatt skatt beregnes med nominell verdi. Betalbar skatt og utsatt skatt er regnskapsført direkte mot egenkapitalen i den grad skattepostene relaterer seg til egenkapitaltransaksjoner.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som betaling innen ett år etter anskaffelsestidspunktet, sa som knytter seg til varekretsløpet. Øvrige poster er kl som anleggsmiddel/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskos verdi. Kortsiktig gjeld balanseføres til nominelt beløp opptakstidspunktet.

Fordringer
Kundefordringer og andre fordringer er oppført i bala pålydende etter fradrag for avsetning til forventet tap. tap gjøres på grunnlag av en individuell vurdering av fordringer.

Vedlikeholdskostnader
Faktiske utgifter til løpende vedlikehold belastes drift når vedlikehold finner sted.

Operasjonelle leieavtaler
Leiekontrakter hvor ikke det vesentligste av risikoen leietaker, blir klassifisert som operasjonelle leieavtale Leiebetalinger er klassifisert som en driftskostnad, og resultatføres over kontraktsperioden.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den ind metoden. Kontanter og kontantekvivalenter omfatter bankinnskudd og andre kortsiktige, likvide plassering

Reklassifisering
Ved reklassifisering av resultat- og balanseposter om sammenligningstallene tilsvarende.

Note 2 - Driftsinntekter

Driftsinntekter	2021	2020
Rater fra operasjoner	1 564 727	1 465 822
Utleie av utstyr og personell	95 846	120 501
Andre driftsinntekter	45 074	28 267
Sum inntekter	**1 705 647**	**1 614 590**

24. januar 2019 hadde "Deepsea Atlantic" oppstart på den første brønnen under "Master Frame Agreement" avtalen som ble inngått med Equinor i mai 2018. Riggen har operert under den kontrakten frem til 30. desember 2021. 31. desember 2021 var det oppstart på borekontrakt for Equinor på Johan Sverdrup Fase 2 og riggen er sikret oppdrag til midten av 2023 under denne kontrakten.

Etter en suksessfull boreoperasjon i Sør Afrika for Total, hvor ikke Odfjell Invest var kontraktspart, hadde "Deepsea Stavanger" oppstart på kontrakt for Aker BP 10. april 2021. Denne kontrakten hadde varighet til begynnelsen av juli 2021 og riggen startet deretter operasjon for Lundin 7. juli 2021. Denne kontrakten ble ferdigstilt i slutten av oktober 2021 hvoretter riggen returnerte for en siste brønn for Aker BP. Kontrakten med Aker BP ble ferdigstilt 8. november 2021 og riggen returnerte igjen til operasjon for Lundin 1. januar 2022 for en ett brønns program. "Deepsea Stavanger" ferdigstilte denne brønnen i slutten av januar 2022 og 1. februar 2022 hadde riggen oppstart på arbeid under «Master Frame Agreement» med Equinor. Nåværende faste brønnprogram med Equinor har forventet varighet inn i Q3 2022. .

Selskapets inntekter i 2021 og 2020 er i sin helhet knyttet til utleie av "Deepsea Atlantic" og "Deepsea Stavanger" til virksomhet på Norsk kontinentalsokkel.

Note 3 - Vesentlig leieavtale - Bareboat

Selskapet har følgende forpliktelser for løpende innleieavtaler per 31.12.2021:

Driftsmiddel	Varighet	Kjøpsopsjon	Leie pr dag	Årlig leie
Bareboat leie av rigg DSA	Januar 2019 - Apr .2023	Nei	*	*
Drillpipe og løst boreutstyr	Januar 2019 - Apr .2023	Nei	NOK 54.270	NOK 19.808.787
ROV	Januar 2019 - Apr .2023	Nei	NOK 97.672	NOK 35.650.280

*Bareboat beregnes månedlig ut fra operasjonsrate, justert for driftskostnad ved operasjon og en margin.

Selskapet vil også inngå bareboat kontrakt med Deep Sea Stavanger (UK) Ltd. Ved oppstart av kontrakt med Lundin i januar 2022 og påfølgende kontrakt med Equinor.

Note 4 - Lønnskostnad, antall ansatte, godtgjørelser, lån til ansatte m.m

Lønnskostnad	2021	2020
Innleid personell	507 660	437 994
Sum lønnskostnad	**507 660**	**437 994**

Selskapet administreres av Odfjell Drilling AS. Kostnader knyttet til daglig leder er inkludert i management fee til Odfjell Drilling AS. Det er ingen ansatte i selskapet. Alt offshore personell leies inn fra nærstående part, Deep Sea Management AS.

Det er ikke gitt ytelser til styret for inneværende år.
Det er ikke ytet lån eller stilt garantier til daglig leder, styreleder eller andre nærstående parter

Kostnader til revisor eksl mva (tall i hele tusen)	2021	2020
Lovpålagt revisjon	203	291
Sum kostnader til revisor	**203**	**291**

Note 5 - Andre driftskostnader

Annen driftskostnad	2021	2020
Innleid utstyr og tjenester	169 015	143 691
Management fee, se note 12	108 312	77 212
Diverse verktøy og reservedeler	79 638	64 066
Vedlikehold, reparasjon og inspeksjon av utstyr	23 977	17 329
Andre driftskostnader	10 849	10 605
Sum	**391 791**	**312 902**

Note 6 - Finansinntekter og kostnader

Finansinntekter	2021	2020
Renteinntekter	12	747
Netto valutagevinst	5 422	4 295
Sum finansinntekter	**5 434**	**5 042**

Finanskostnader	2021	2020
Rentekostnader	(636)	(1 784)
Andre finanskostnader	(2)	(29)
Sum finanskostnader	**(637)**	**(1 814)**

Note 7 - Finansiell markedsrisiko

Odfjell Invest AS ønsker å redusere eksponering for svingninger i valutakursene ved å søke en best mulig balanse mellom innbetalinger og utbetalinger i samme valuta, samt via valutaterminforretninger til forutsigbar valutakurs.

På inntektssiden er rate i henhold til kontrakt splittet mellom USD og NOK. På kostnadssiden blir bareboatleien betalt i USD, mens mesteparten av de øvrige driftskostnadene blir betalt i NOK.

Note 8 - Skatt

Årets skattekostnad fremkommer slik:	2021	2020
Betalbar skatt	16 294	11 879
Sum total skattekost	**16 294**	**11 879**

Betalbar skatt i årest skattekostnad fremkommer slik:	2021	2020
Resultat før skattekostnad	74 066	53 995
Permanente forskjeller	-	-
Grunnlag årets skattekostnad	74 066	53 995
Nominell skattesats	22 %	22 %
Betalbar skattekostnad	**16 294**	**11 879**
Betalbar skatt på avgitt konsernbidrag	(16 294)	(11 879)
Betalbar skatt balanseført 31.12	-	-

Selskapet har ingen skattemessige midlertidige forskjeller.

Avstemming fra nominell til faktisk skattesats	2021	2020
Resultat før skattekostnad	74 066	53 995
Nominell skattesats	22 %	22 %
Forventet inntektsskatt etter nominell skattesats	16 294	11 879

Skatteeffekt av følgende poster:	2021	2020
Ikke fradragsberettigede kostnader og skattepliktige inntekter	-	-
Skattekostnad	16 294	11 879

Effektiv skattesats	22 %	22 %

Note 9 - Mellomværende med selskap i samme konsern m.v

Fordringer og gjeld mellom konsernselskaper knytter seg til den løpende drift og konsernbidrag. Konsernmellomværende er gjengitt på egne linjer i balansen

Konsernselskaper	Fordringer	Gjeld	Fordringer	Gjeld
Kortsiktig	2021	2021	2020	2020
Odfjell Drilling AS	-	18 302	-	13 734
Deep Sea Management AS	-	47 665	-	45 628
Odfjell Well Services Norway AS	-	16 383	-	10 157
Deep Sea Atlantic (UK) Ltd	34 066	65 871	28 782	51 307
Deep Sea Stavanger (UK) Ltd	124 334	17 165	230 551	-
Odfjell Drilling Philippines Corp.	-	22	-	4
Odfjell Drilling Technology AS	-	20 544	-	5 120
Deep Sea Drilling Company I AS	-	-	-	41
Odfjell Invest II AS	2 880	-	51	99
Sum	**161 281**	**185 953**	**259 385**	**126 090**
Odfjell Drilling AS- konsernbidrag	-	74 066	-	53 994
Sum fordringer og gjeld på selskap i samme konsern	**161 281**	**260 019**	**259 385**	**180 084**

Konsernets kortsiktige mellomværende forfaller til betaling innen ett år etter regnskapsårets utgang.

Note 10 - Kontanter og kontantekvivalenter

	31.12.2021	31.12.2020
Tidsinnskudd USD	15 143	138
Andre bankinnskudd	153 172	3 735
Sum bankinnskudd, kontanter og lignende	**168 315**	**3 874**

Selskapet har ingen bundne midler og heller ingen trekkrettigheter.

Note 11 - Aksjekapital og aksjonærinformasjon / Egenkapital

Aksjekapital i selskapet består pr 31.12 av 100 aksjer à kr 2 000, totalt NOK 200 000.
Alle aksjer i selskapet tilhører samme aksjeklasse, og har like stemmerettigheter

Eierstruktur

Navn	Aksjer	Eierandel	Stemmeandel
Odfjell Drilling AS	100	100 %	100 %
Totalt	**100**	**100 %**	**100 %**

Det ultimate morselskap er Odfjell Drilling Ltd.

	Aksjekapital	Annen innskutt egenkapital	Annen egenkapital	Sum
Egenkapital 31.12.2020	**200**	**69 582**	**38 503**	**108 285**
Årets resultat			57 771	**57 771**
Avgitt konsernbidrag			(57 771)	**(57 771)**
Egenkapital 31.12.2021	**200**	**69 582**	**38 504**	**108 285**

Selskapet har avgitt konsernbidrag til Odfjell Drilling AS.

Note 12 - Nærstående transaksjoner (vesentlige transaksjoner over 5 MNOK)

Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten og til markedspriser.

Avtalene om utleie av personell dekker alle kostnader knyttet til personell.

Selskapet administreres av Odfjell Drilling AS. Det er inngått langsiktige bareboat avtaler med konsernselskapene Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd jf note 3. Videre leier selskapet administrative tjenester, offshorepersonell, borerør og annet løst boreutstyr av andre selskaper i Odfjell Drilling konsernet. Selskapet har inngått administrasjonsavtale med Deep Sea Stavanger (UK) Ltd som blant annet innebærer at Odfjell Invest AS har foretatt innkjøp som skal belastes Deep Sea Stavanger (UK) Ltd. Dette som følge av at kontrakt med Total E&P var direkte med Deep Sea Stavanger (UK) Ltd samt under landligge på slutten av 2021 før oppstart av kontrakt med Equinor. Innkjøpene relaterer seg til kostnader som etter administrasjonsavtalen skal belastes Deep Sea Stavanger (UK) Ltd. uten risiko for selskapet. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet.

Inntekt fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	Beløp 2021	Beløp 2020
Stacking Hire Agreement	Deep Sea Stavanger (UK) Ltd	Konsernselskap	195 191	152 542
Sum inntekter			**195 191**	**152 542**

Kjøp/kostnad fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	Beløp 2021	Beløp 2020
Management tjenester inkl. management fee	Odfjell Drilling AS	Morselskap	133 429	94 906
Management og leie offshore personell	Deep Sea Management AS	Konsernselskap	589 218	485 890
Leie bore utstyr	Odfjell Well Services Norway AS	Konsernselskap	73 956	57 557
Tekniske tjenester	Odfjell Drilling Technology AS	Konsernselskap	46 490	24 873
Tekniske tjenester	Deep Sea Stavanger (UK) Ltd	Konsernselskap	-	7 666
Bareboat leie	Deep Sea Stavanger (UK) Ltd	Konsernselskap	288 522	154 416
Bareboat leie	Deep Sea Atlantic (UK) Ltd	Konsernselskap	448 405	658 512
Sum kostnader			**1 580 020**	**1 483 821**

Note 13 - Garantistillelse

Odfjell Invest AS har stilt visse av sine bankkonti, sine inntekter og løsøre som sikkerhet for sine forpliktelser under bareboat-certepartier med Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd.

Odfjell Drilling AS har fellesregistrering knyttet til merverdiavgift for konsernets avgiftsregistrerte foretak. Selskapet inngår i denne fellesregistreringen og er således solidarisk ansvarlig for skyldig merverdiavgift i Norge.

Note 14 - Annen kortsiktig gjeld

	2021	2020
Forskudd fra kunder	37 015	11 559
Gjeld til kunder	-	15 407
Andre påløpte kostnader	20 880	18 025
Sum	**57 895**	**44 991**

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5822 Bergen

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Enterprise 935 174 627 MVA

Til generalforsamlingen i Odfjell Invest AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert Odfjell Invest AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav,
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Bergen, 4. april 2022
KPMG

Ståle Christensen
Statsautorisert revisor
(elektronisk signert)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-04 11:34:26 UTC

Ståle Christensen
Statsautorisert revisor
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 80.232.xxx.xxx
2022-04-04 11:34:26 UTC

Annual accounts 2022

Årsrapport for 2022

Årsberetning

Årsregnskap
- Resultatregnskap
- Balanse
- Kontantstrømoppstilling
- Noter

Revisjonsberetning

Årsberetning 2022

Odfjell Invest AS

Adresse: Kokstadflaten 35, 5257 Bergen
Org.nr: 989 118 765 MVA

Virksomhetens art
Driftsselskapet, Odfjell Invest AS, har i 2022 forestått den operasjonelle drift av de mobile plattformene "Deepsea Atlantic" og "Deepsea Stavanger". Selskapet har inngått bareboat-avtaler med de riggeiende selskapene Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd.

Selskapet har kontorsted i Bergen. Odfjell Invest AS er et datterselskap av Odfjell Drilling AS.

Odfjell Invest AS har ingen ansatte. Administrative tjenester og personell tjenester kjøpes hovedsakelig fra Odfjell Drilling AS og Deep Sea Management AS.

Utvikling i resultat og stilling
Omsetningen er i 2022 2 643 676 tusen kroner som er en oppgang på 55 % fra i fjor. Årsresultatet ble økt med 24.2 % til 71 754 tusen kroner. Totalkapitalen var ved utgangen av året 547 730 tusen kroner, sammenlignet med 486 282 tusen kroner året før. Egenkapitalandelen pr. 31.12.2022 var 19.8 % sammenlignet med 22.3 % i fjor.
Styret mener at det fremlagte årsregnskapet gir et rettvisende bilde over utviklingen og resultatet av foretakets virksomhet og stilling.

Markedssituasjon og fremtidig utvikling
Deepsea Atlantic er på kontrakt med Equinor og Johan Sverdrup Fase 2 til Q1 2024. Deepsea Stavanger er på kontrakt med Equinor frem til Q3 2023, med mulighet for forlengelse, og vil starte på en ny 5 års kontrakt med Aker BP i 2024.

God ordrereserve gjør sitt til at selskapet i begrenset grad vurderes eksponert for bortfall av inntekter. Selskapet vil jobbe aktivt for å sikre forlengelse og eventuelt nye kontrakter for å opprettholde omsetning i årene fremover. Det presiseres at det alltid vil være knyttet usikkerhet til fremtidig utvikling.

Fortsatt drift
Selskapet har et positivt driftsresultat i 2022. Selskapet har sikret kontrakter med Equinor og Aker BP . Styret mener at inngåtte kontrakter sikrer positiv inntjening og likviditet i selskapet i 2022 og de nærmeste årene. I samsvar med regnskapsloven § 3-3a bekreftes det således at forutsetning om fortsatt drift er til stede.

Finansiell risiko
Markedsrisiko
Selskapets finansielle risiko vil først og fremst være knyttet til usikkerhet til fremtidig markedsutvikling og kontraktsdekning. Selskapet er naturlig sikret mot valutasvingninger fordi rateinntektene fra kontrakt er splittet mellom US dollar og norske kroner, med en tilsvarende fordeling på kostnader. Bareboatleie påløper og betales i US Dollar, mens øvrige driftskostnader påløper og betales i NOK. Det er i 2022 ikke inngått fremtidige terminkontrakter for å sikre driftstilknyttet valutarisiko.

Kredittrisiko
Risiko for at motparten ikke har økonomisk evne til å oppfylle sine forpliktelser anses lav, da det historisk sett har vært lite tap på fordringer. Hovedkundene er børsnoterte selskap med god likviditet.

Likviditetsrisiko
Selskapet vurderer likviditeten som tilfredsstillende på kort sikt, og det er ikke besluttet å innføre tiltak som endrer likviditetsrisiko.

Redegjørelse for årsregnskapet
Resultat
Omsetningen var på 2 643,7 MNOK, mot fjorårets omsetning på 1 705,7 MNOK. Driftsresultatet viser et overskudd på 79,5 MNOK, mot tilsvarende 69,3 MNOK året før. Overskuddet for året er på 71,8 MNOK etter skatt. Overskuddet i 2021 var på 57,8 MNOK.

Balanse
Totalkapitalen er 547,7 MNOK, og egenkapitalen er på 19,8 % pr 31. desember 2022.

Kontantstrøm
Beholdningen av likvider er 210,7 MNOK pr 31.12.2022. Netto kontantstrøm fra operasjonelle aktiviteter er positiv med 116,4 MNOK. Forskjell mellom kontantstrøm fra drift og resultat før skatt skyldes i hovedsak endring i fordringer på konsernselskaper delvis motregnet økning i kundefordringer.

Miljø
Arbeidsmiljø
Selskapet har ingen egne ansatte. Det er et mål om ingen alvorlige hendelser og ingen personskader knyttet til selskapets operasjoner. Det har vært registrert 1 personskade i 2022 knyttet til innleid personell. Det vises for øvrig til bærekraftrapportering på konsernnivå for en detaljert redegjørelse av styring og målsetninger for arbeidsmiljø som også gjelder for selskapet. Bærekraftrapportene er tilgjengelige på www.odfjelldrilling.com.

Ytre miljø
Konsernet selskapet er en del av har som ledd i sin bærekraftstrategi fokus på utslipp til luft, sjø og land, samt håndtering av avfall. Disse fokusområdene er reflektert i konsernets HMS program som gjelder for alle selskapene i Odfjell Drilling konsernet. En inngående beskrivelse av prosedyrer, målsetninger og tilhørende måltall for oppnåelse kan finnes i bærekraftrapportene som er gjort offentlig tilgjengelige på konsernets nettside, www.odfjelldrilling.com. Risikovurdering for utslippskilder og samsvarsvurderinger mot miljøregelverk er blitt gjennomført som en del av ISO 14001-prosessen. Det er registrert ett rapporteringspliktig utslipp knyttet til "Deepsea Atlantic" og ingen rapporteringspliktig utslipp knyttet til "Deepsea Stavanger " i 2022.

Diskriminering
Selskapet arbeider aktivt for å forhindre diskriminering som følge av nedsatt funksjonsevne, etnisitet, nasjonal opprinnelse, hudfarge, religion eller livssyn.

Som et ledd i selskapets "Human Right Policy" er det også vedtatt forbud mot alle former for tvangsarbeid eller barnearbeid. All Odfjell Drilling's aktivitet skal være i samsvar med internasjonalt anerkjente arbeidsstandarder innenfor områder som lønn, arbeidstid, disiplinære metoder, arbeidsavtaler og arbeidsforhold. Tilsvarende krav skal også håndheves gjennom kontrakter med leverandører, samarbeidspartnere, agenter etc. Konsernet jobber med å ferdigstille «Human rights policy» i henhold til ikrafttredelse av den nye Åpenhetsloven av 1. juli 2022, som vil være klar innen 30. juni 2023 og vil da være tilgjengelig på Odfjell Drilling's offentlige webside; www.odfjelldrilling.com.

Styreansvarsforsikring
Det er tegnet forsikring på konsernnivå for styrets medlemmer og daglig leder for deres mulige ansvar overfor selskapet og tredjepersoner. Forsikringen er begrenset til 75 MNOK per år og per hendelse.

Bergen, 25. april 2023
Styret for Odfjell Invest AS

Kjetil Gjersdal	Frode Skage Syslak	Janike Amundsen Myre
Styrets leder/daglig leder	Styremedlem	Styremedlem

Resultatregnskap

Beløp vises i tusen kr	Note	2022	2021
Driftsinntekter			
Driftsinntekter	2, 3	2 643 676	1 705 647
Driftskostnader			
Bareboat leie	4, 7	1 227 483	736 927
Lønnskostnad	5, 7	693 903	507 660
Annen driftskostnad	5, 6, 7	642 814	391 791
Sum driftskostnader		2 564 201	1 636 377
Driftsresultat		79 475	69 269
Finansinntekter og finanskostnader			
Finansinntekt	8	17 041	5 434
Finanskostnad	8	4 523	637
Netto finansposter		12 517	4 796
Ordinært resultat før skattekostnad		91 993	74 066
Skattekostnad på ordinært resultat	10	20 238	16 294
Årsresultat		71 754	57 771
Overføringer og disponeringer			
Avgitt konsernbidrag	11	71 754	57 771

Balanse pr. 31. desember

Beløp vises i tusen kr	Note	2022	2021
Omløpsmidler			
Fordringer			
Kundefordringer	12, 13	315 041	269 170
Andre fordringer	12, 13	22 016	48 798
Sum fordringer		337 057	317 968
Bankinnskudd, kontanter og lignende	14	210 672	168 315
Sum omløpsmidler		547 729	486 283
Sum eiendeler		547 729	486 283

Balanse pr. 31. desember

Beløp vises i tusen kr	Note	2022	2021
Egenkapital			
Innskutt egenkapital			
Aksjekapital	11, 15	200	200
Annen innskutt egenkapital	11	69 582	69 582
Sum innskutt egenkapital		69 782	69 782
Opptjent egenkapital			
Annen egenkapital	11	38 504	38 504
Sum egenkapital		108 286	108 286
Gjeld			
Kortsiktig gjeld			
Leverandørgjeld	12, 13	110 609	113 083
Annen kortsiktig gjeld	12, 13	328 834	264 914
Sum kortsiktig gjeld		439 443	377 997
Sum gjeld		439 443	377 997
Sum egenkapital og gjeld		547 729	486 283

Bergen, 25. april 2023

Kjetil Gjersdal	Frode Skage Syslak	Janike Amundsen Myre
Styrets leder/daglig leder	Styremedlem	Styremedlem

Kontantstrømoppstilling

Beløp vises i tusen kr	Note	2022	2021
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		91 992	74 066
Endring i varelager, kundefordringer og leverandørgjeld		-130 642	-31 542
Endring i kortsiktig mellomværende ekskl konsernbidrag		191 282	157 966
Endring i andre tidsavgrensningsposter		-36 209	17 946
Netto kontantstrøm fra operasjonelle aktiviteter		116 423	218 436
Kontantstrømmer fra investeringsaktiviteter			
Netto kontantstrøm fra investeringsaktiviteter		0	0
Kontantstrømmer fra finansieringsaktiviteter			
Inn-/utbetalinger av konsernbidrag		-74 066	-53 994
Netto kontantstrøm fra finansieringsaktiviteter		-74 066	-53 994
Netto endring i likvider i året		42 357	164 442
Kontanter og bankinnskudd per 01.01		168 315	3 873
Kontanter og bankinnskudd per. 31.12		210 672	168 315

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 1 - Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk i Norge.

Inntektsføring
Selskapets inntekter kommer fra operasjonell drift av mobile plattformer og består i hovedsak av dagrater for utleie av boreriggene "Deepsea Altantic" og "Deepsea Stavanger"
Inntektsføringen skjer i den perioden tjenesten er utført.

Kostnader selskapet pådrar seg og håndterer på vegne av andre uten risiko for selskapet, belastes med påslag for administrasjon. Kostnader og tilhørende inntekter presenteres derfor netto i resultatregnskapet. Påslag for administrasjon presenteres som driftsinntekter.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Fordringer
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Operasjonelle leieavtaler
Leiekontrakter hvor ikke det vesentligste av risikoen er overført til leietaker, blir klassifisert som operasjonelle leieavtaler. Leiebetalinger er klassifisert som en driftskostnad, og de resultatføres over kontraktsperioden.

Valuta
Transaksjoner i annen valuta som er med i resultatregnskapet er omregnet til norske kroner etter månedlige kurser. Pengeposter i utenlandsk valuta er omregnet til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Vedlikeholdskostnader
Faktiske utgifter til løpende vedlikehold belastes driftsresultatet når vedlikehold finner sted.

Skatter
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan

Noter til regnskapet for 2022

Beløp vises i tusen kr

reversere i samme periode er utlignet og nettoført. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttiggjort.

Bruk av estimater
Utarbeidelse av regnskaper i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.

Reklassifisering
Ved reklassifisering av resultat- og balanseposter omarbeides sammenligningstallene tilsvarende.

Note 2 - Driftsinntekter

Beløp vises i tusen kr

	2022	**2021**
Driftsinntekter		
Rater fra operasjoner	2 267 254	1 564 727
Utleie av utstyr og personell	287 013	95 846
Andre driftsinntekter	89 409	45 074
	2 643 676	1 705 647

Deepsea Atlantic startet opp 31. desember 2021 på borekontrakt for Equinor på Johan Sverdrup Fase 2 og riggen er sikret oppdrag til Q1 - 2024.

Deepsea Stavanger startet 2022 med operasjon for Lundin 1. januar på et ett brønns program. Brønnen ble ferdigstilt i løpet av januar, og 1. februar hadde riggen oppstart på arbeid und Master Fram Agreement (MFA) med Equinor. Nåværende faste brønnprogram har forventet varighet frem til Q3 2023, med mulighet for forlengelse. Deepsea Stavanger vil starte på en ny 5 års kontrakt med Aker BP i 2024.

Selskapets inntekter i 2022 og 2021 er i sin helhet knyttet til utleie av Deepsea Atlantic og Deepsea Stavanger til virksomhet på Norsk kontinentalsokkel.

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 3 - Nærstående transaksjoner - Inntekter fra nærstående parter

Beløp vises i tusen kr

Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten og til markedspriser.

Beskrivelse nærstående	*Type transaksjon*	**2022**	**2021**
OD Ltd Group - Konsernselskap	Stacking hire agreement	0	195 191
OD Ltd Group - Konsernselskap	Diverse inntekt	1 188	0
OD Ltd Group - Konsernselskap	Utleie personell	760	0
Sum		1 948	195 191

Selskapet er en del av konsernet Odfjell Drilling Ltd (OD Ltd Group) og inngår i konsolidert konsernregnskap. OD Ltd Group er nærstående til konsernet Odfjell Technology Ltd (OT Ltd Group).

Note 4 - Vesentlige leieavtaler - Bareboat

Beløp vises i tusen kr

Selskapet har følgende forpliktelser for løpende innleieavtaler per 31.12.2022:

Driftsmiddel	**Varighet**	**Leie pr dag**	**Årlig leie**
Bareboat leie rigg DSA*	31.12.21 - Q1 2024	3 363	1 227 438
Wired Drillpipe**	31.12.21 - Q1 2024	101	36 821
ROV	Januar 2019 - Apr. 2023	98	35 650

*Bareboat beregnes månedlig ut fra operasjonsrate, justert for driftskostnad ved operasjon og en margin.
**Se også note 7: leie av boreutstyr.
Selskapet har ingen kjøpsopsjon.

Note 5 - Lønnskostnader, antall ansatte, lån til ansatte og godtgjørelse til revisor

Beløp vises i tusen kr

Lønnskostnader	**2022**	**2021**
Innleid Personell	693 903	507 660

Selskapet har i regnskapsåret sysselsatt totalt 0 årsverk.

Selskapet administreres av Odfjell Drilling AS. Kostnader knyttet til daglig leder er inkludert i management fee til Odfjell Drilling AS. Det er ingen ansatte i selskapet. Alt offshore personell leies inn fra nærstående part, Deep Sea Management AS.

Ytelser til ledende personer

Det er ikke gitt ytelser til styret for inneværende år.
Det er ikke ytt lån eller stilt garantier til daglig leder, styreleder eller andre nærstående parter.

Noter til regnskapet for 2022

Beløp vises i tusen kr

Godtgjørelse til revisor er fordelt på følgende:	**2022**	**2021**
Lovpålagt revisjon	175	157

Merverdiavgift er ikke inkludert i revisjonshonoraret.

Note 6 - Driftskostnader

Beløp vises i tusen kr

	2022	**2021**
Innleid utstyr og tjenester	321 259	169 015
Management fee	127 433	108 312
Diverse verktøy og reservedeler	122 309	79 638
Vedlikehold, reparasjon og inspeksjon av utstyr	40 056	23 977
Andre driftskostnader	31 758	10 850
Sum	642 814	391 792

Note 7 - Nærstående transaksjoner - Kjøp/kostnad fra nærstående parter

Beløp vises i tusen kr

Selskapet er en del av konsernet Odfjell Drilling Ltd (OT Ltd Group) og inngår i konsolidert konsernregnskap. OD Ltd Group er nærstående til konsernet Odfjell Technology Ltd (OT Ltd Group).

Beskrivelse nærstående part	*Type transaksjon*	**2022**	**2021**
OD Ltd Group - Konsernselskap	Bareboat-leie	1 227 483	736 927
OD Ltd Group - Konsernselskap	Management og leie personell	674 256	589 218
OD Ltd Group - Konsernselskap	Management tjenester	127 433	133 429
OD Ltd Group - Konsernselskap	Tekniske tjenester	178	0
OT Ltd Group - Nærstående part	Leie bore utstyr	124 593	73 956
OT Ltd Group - Nærstående part	Management tjenester	11 462	0
OT Ltd Group - Nærstående part	Tekniske tjenester	13 227	46 490
Sum		2 178 632	1 580 020

Note 8 - Finansinntekter og kostnader

Beløp vises i tusen kr

Finansinntekter	**2022**	**2021**
Renteinntekter	2 239	12
Netto Valutagevinst	14 801	5 422
Sum Finansinntekter	17 041	5 434
Finanskostnader		
Rentekostnader	-4 521	-636
Andre Finanskostnader	-2	-2
	-4 523	-637

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 9 - Finansiell markedsrisiko

Odfjell Invest AS ønsker å redusere eksponering for svingninger i valutakursene ved å søke en best mulig balanse mellom innbetalinger og utbetalinger i samme valuta.

På inntektsside er rate i henhold til kontrakt splittet mellom USD og NOK. På kostnadssiden blir bareboatleien betalt i USD, mens mesteparten av de øvrige driftskostnadene blir betalt i NOK.

Note 10 - Skatt

Beløp vises i tusen kr

Årets skattekostnad fordeler seg på:	**2022**	**2021**
Betalbar skatt	20 238	16 294
Årets totale skattekostnad	20 238	16 294

Beregning av årets skattegrunnlag:	**2022**	**2021**
Ordinært resultat før skattekostnad	91 993	74 066
Alminnelig inntekt	91 993	74 066
Ytet konsernbidrag	-91 992	-74 066
Årets skattegrunnlag	0	0
Betalbar skatt (22%) av årets skattegrunnlag	0	0

Forklaring til hvorfor årets skattekostnad ikke utgjør 22% av resultat før skatt	**2022**
22% skatt av resultat før skatt	20 238
Beregnet skattekostnad	20 238
Effektiv skattesats *)	22 %

*) Skattekostnad i forhold til resultat før skatt

Note 11 - Egenkapital

Beløp vises i tusen kr

	Aksjekapital	**Annen innskutt egenkapital**	**Annen egenkapital**	**Sum**
Egenkapital 01.01.2022	200	69 582	38 504	108 286
Årsresultat	0	0	71 754	71 754
Avgitt konsernbidrag	0	0	-71 754	-71 754
Egenkapital 31.12.2022	200	69 582	38 504	108 286

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 12 - Fordringer og gjeld

Beløp vises i tusen kr

Kundefordringer	**2022**	**2021**
Kundefordringer - ekstern	300 183	147 276
Kundefordringer - konsern, se note 13	14 858	121 894
Sum	315 042	269 170

Andre kortsiktige fordringer	**2022**	**2021**
Andre kortsiktige fordringer	12 484	7 617
Merverdiavgift	2 808	1 038
Kapitalisert kontraktskost	6 725	756
Andre fordringer - konsern, se note 13	0	39 387
Sum	22 016	48 797

Leverandørgjeld	**2022**	**2021**
Leverandørgjeld - ekstern	-82 350	-60 084
Leverandørgjeld - konsern, se note 13	-28 259	-52 999
Sum	-110 609	-113 082

Annen kortsiktig gjeld	**2022**	**2021**
Forskudd fra kunder	-17 913	-37 015
Andre påløpte kostnader	-16 376	-20 879
Andre påløpte kostnader - konsern, se note 13	-294 545	-207 020
Sum	-328 834	-264 914

Note 13 - Mellomværende med selskap i samme konsern m.v

Beløp vises i tusen kr

Kortsiktig driftsrelaterte fordringer	**2022**	**2021**
OD Ltd Group - Konsernselskap	14 858	161 281
Sum driftsrelaterte fordringer	14 858	161 281

Kortsiktig driftsrelatert gjeld	**2022**	**2021**
OD Ltd Group - Konsernselskap	-189 453	-149 004
OT Ltd Group - Nærstående part	-41 358	-36 950
Sum driftsrelatert gjeld	-230 812	-185 954

Konsernbidrag	**2022**	**2021**
OD Ltd Group - Konsernselskap - Avgitt konsernbidrag	-91 992	-74 066
Sum Konsernbidrag (mottatt + / avgitt -)	-91 992	-74 066

Noter til regnskapet for 2022

Beløp vises i tusen kr

Note 14 - Bankinnskudd

Beløp vises i tusen kr

Selskapet har ingen bundne midler og heller ikke trekkrettigheter.

Tidsinnskudd NOK: MNOK 160 per 31.12.22 mot MNOK 15 per 31.12.21.
Tidsinnskudd USD: TNOK 160 per 31.12.22 mot TNOK 142 per 31.12.21.

Note 15 - Aksjekapital og aksjonærinformasjon

Beløp vises i tusen kr

Aksjekapitalen består av:

	Antall	Pålydende	Balanseført
Ordinære aksjer	100	2 000	200

Oversikt over aksjonærene i selskapet pr. 31.12:

	Ordinære aksjer	Eier-andel	Stemme-andel
Odfjell Drilling AS	100	100 %	100 %

Note 16 - Garantistillelse

Beløp vises i tusen kr

Odfjell Invest AS har stilt visse av sine bankkonti, sine inntekter og løsøre som sikkerhet for sine forpliktelser under bareboat-certepartier med Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd.

Odfjell Drilling AS har fellesregistrering knyttet til merverdiavgift for konsernets avgiftsregistrerte foretak. Selskapet inngår i denne fellesregistreringen og er således solidarisk ansvarlig for skyldig merverdiavgift i Norge.

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

Til generalforsamlingen i Odfjell Invest AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Odfjell Invest AS som består av balanse per 31. desember 2022, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2022, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen og annen øvrig informasjon som er publisert sammen med årsregnskapet. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker verken informasjonen i årsberetningen eller annen øvrig informasjon.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen og annen øvrig informasjon. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen, annen øvrig informasjon og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen og annen øvrig informasjon ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen eller annen øvrig informasjon fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av intern kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i intern kontroll som vi avdekker gjennom revisjonen.

Bergen, 28. april 2023
KPMG AS

Ståle Christensen
Statsautorisert revisor
(elektronisk signert)

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Ståle Christensen
Partner
På vegne av: KPMG AS
Serienummer: 9578-5999-4-1660746
IP: 77.18.xxx.xxx
2023-04-28 14:03:15 UTC

bank ID

H1 2023

Odfjell Invest AS

Sammendratt delårsregnskap for første halvår 2023

Odfjell Invest AS

SAMMENDRATT RESULTATREGNSKAP

Beløp i NOK 1000	Note	1. januar - 30. juni 2023	1. januar - 30. juni 2022
DRIFTSINNTEKTER	2	***1,291,367***	***1,234,889***
Bareboat leie		(604,189)	(520,388)
Lønnskostnad		(341,931)	(346,842)
Andre driftskostnader		(291,548)	(318,619)
DRIFTSRESULTAT		***53,699***	***49,041***
Netto finansposter	*3*	*6,223*	*17,537*
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		***59,922***	***66,578***
Skattekostnad på ordinært resultat		(13,183)	(14,647)
PERIODENS RESULTAT		***46,740***	***51,931***

Odfjell Invest AS

SAMMENDRATT BALANSEOPPSTILLING

Beløp i NOK 1000	Note	30.06.2023	31.12.2022
EIENDELER			
Omløpsmidler			
Kundefordringer		194,588	315,041
Andre kortsiktige fordringer		20,521	22,016
Bankinnskudd, kontanter og lignende		242,241	210,672
Sum omløpsmidler		***457,350***	***547,729***
SUM EIENDELER		***457,350***	***547,729***
EGENKAPITAL			
Aksjekapital	4	200	200
Annen innskutt egenkapital	4	69,582	69,582
Annen egenkapital	4	85,243	38,504
SUM EGENKAPITAL		***155,026***	***108,286***
GJELD			
Kortsiktig gjeld			
Leverandørgjeld		235,011	110,609
Betalbar skatt		13,183	-
Annen kortsiktig gjeld		54,130	328,834
Sum kortsiktig gjeld		***302,324***	***439,443***
Sum gjeld		***302,324***	***439,443***
SUM EGENKAPITAL OG GJELD		***457,350***	***547,729***

Styret i Deep Sea Drilling Company AS
Bergen, 6.september 2023

Kjetil Gjersdal	Frode S. Syslak	Janike A. Myre
Styrets leder / daglig leder	Styremedlem	Styremedlem
(Sign.)	(Sign.)	(Sign.)

Odfjell Invest AS

SAMMENDRATT KONTANTSTRØMSOPPSTILLING

Beløp i NOK 1000	Note	1. januar - 30. juni 2023	1. januar - 30. juni 2022
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER			
Resultat før skattekostnad		59,922	66,578
Endring i arbeidskapital		63,639	(74,427)
Netto kontantstrøm fra operasjonelle aktiviteter		**123,562**	**(7,849)**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER			
Netto kontantstrømmer fra investeringsaktiviteter		**-**	**-**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER			
Utbetalinger av konsernbidrag og utbytter		(91,993)	(74,066)
Netto kontantstrøm fra finansieringsaktiviteter		**(91,993)**	**(74,066)**
Netto endring i likvider i året		31,569	(81,915)
Kontanter og kontantekvivalenter per 01.01		210,672	168,315
Kontanter og kontantekvivalenter per 31.12		**242,241**	**86,400**

Note 1 - Regnskapsprinsipper

Generell informasjon
Odfjell Invest AS har i 2022 og fram til utgangen av mai 2023 forestått den operasjonelle drift av de mobile plattformene "Deepsea Atlantic" og "Deepsea Stavanger". 1. juni 2023 ble driften av Deepsea Stavanger med tilhørende avtaler overført til Deepsea Rig AS, ett selskap i Odfjell Drilling konsernet. Driften av Deepsea Atlantic videreføres.
Selskapet har i samme periode hatt bareboat-avtaler med de riggeiende selskapene Deep Sea Atlantic (UK) Ltd og Deep Sea Stavanger (UK) Ltd.
Selskapet har forretningslokale i Bergen.

Selskapet var fram til utgangen av mai 2023 datterselskap av Odfjell Drilling AS. 1. juni 2023 ble selskapets aksjer solgt til Odfjell Rig III Ltd.

Selskapet er en del av Odfjell Drilling konsernet. Det ultimate morselskap er Odfjell Drilling Ltd som har forretningskontor i Aberdeen, Scotland, United Kingdom.
Konsernets delårsrapporter er tilgjengelig på selskapets hjemmeside www.odfjelldrilling.com.

Delårsregnskapet ble vedtatt av styret 6.september 2023 og har ikke blitt revidert.

Basis for utarbeidelse
Dette sammendratte delårsregnskapet for seksmånedersperioden fra 1. januar til 30. juni 2023 er utarbeidet i samsvar med NRS 11 Delårsregnskap. Delårsregnskapet har ikke med alle noter som normalt inngår i et årsregnskap. Denne rapporten skal derfor leses i sammenheng med årsrapporten for året som ble avsluttet 31.desember 2022.

Regnskapsprinsipper
Regnskapsprinsippene anvendt ved utarbeidelse av delårsregnskapet er konsistente med prinsipper anvendt i tidligere årsregnskap.

Bruk av estimater
Utarbeidelse av regnskaper i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn.

Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for delårsregnskapet er de samme som beskrevet i årsregnskapet for 2022.

Det vil alltid være usikkerhet knyttet til skjønn og forutsetninger benyttet i regnskapsestimater.

Note 2 - Driftsinntekter

Selskapets inntekter er i sin helhet knyttet til borekontrakter for Deepsea Atlantic og Deepsea Stavanger på felt i Nordsjøen. All inntekt er dermed allokert til Norge.

Som en del av omorganiseringen av Odfjell Drilling konsern, ble selskapets virksomhet knyttet til Deepsea Stavanger overført til Deepsea Rig AS, ett annet selskap i Odfjell Drilling konsern. Som vederlag for virksomhetsoverdragelsen mottok selskapet NOK 7 millioner. Beløpet er inntektsført og presentert som del av drifstinntektene.

Note 3 - Netto finansposter

Beløp i NOK 1000	1.1.-30.06. 2023	1.1.-30.06. 2022
Renteinntekter bankinnskudd	3,326	206
Rentekostnader	(4,792)	(1,081)
Netto valutagevinst / (valutatap)	7,700	18,414
Øvrige finansposter	(11)	(2)
Netto finansposter	**6,223**	**17,537**

Note 4 - Egenkapital

Beløp i NOK 1000	Aksjekapital	Annen innskutt egenkapital	Annen egenkapital	***Sum Egenkapital***
Egenkapital 1.1.2022	*200*	*69,582*	*38,504*	*108,286*
Resultat i perioden	-	-	51,931	51,931
Egenkapital 30.06.2022	***200***	***69,582***	***90,434***	***160,216***
Resultat i andre halvår 2022	-	-	19,824	19,824
Avsatt konsernbidrag i andre halvår 2022	-	-	(71,754)	(71,754)
Egenkapital 31.12.2022	***200***	***69,582***	***38,504***	***108,286***
Resultat i perioden	-	-	46,740	46,740
Egenkapital 30.06.2023	***200***	***69,582***	***85,243***	***155,026***

Note 5 - Nærstående transaksjoner og mellomværende

Selskapets ultimate morselskap er Odfjell Drilling Ltd, og alle selskap i Odfjell Drilling konsernet ("ODL konsern") er definert som "Konsernselskap" i tabellene nedenfor. Hovedaksjonær i Odfjell Drilling Ltd er også hovedaksjonær i Odfjell Drilling Technology Ltd. Alle selskap i Odfjell Technology konsernet ("OTL konsern") er derfor definert som "Nærstående part" i tabellene nedenfor. Selskapet har hatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten i selskapet.

Inntekt fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	1.1.-30.06. 2023	1.1.-30.06. 2022
Inntekt salg av virksomhet	Deepsea Rig AS	Konsernselskap	7,000	-
Diverse inntekt	Selskaper i ODL konsern	Konsernselskap	97	1,936
Sum inntekter			**7,097**	**1,936**

Kjøp/kostnad fra nærstående parter

Type transaksjon	Nærstående part	Tilknytning	1.1.-30.06. 2023	1.1.-30.06. 2022
Bareboat leie	Selskaper i ODL konsern	Konsernselskap	(604,189)	(520,388)
Leie offshore personell	Selskaper i ODL konsern	Konsernselskap	(331,126)	(329,173)
Øvrige personellkostnader	Selskaper i ODL konsern	Konsernselskap	(264)	-
Øvrige personellkostnader *	Selskaper i OTL konsern	Nærstående part	(8,324)	(31,345)
Management tjenester	Selskaper i ODL konsern	Konsernselskap	(49,219)	(62,703)
Øvrige andre driftskostnader	Selskaper i ODL konsern	Konsernselskap	-	(42)
Øvrige andre driftskostnader	Selskaper i OTL konsern	Nærstående part	(28,510)	(70,481)
Sum kjøp/kostnad fra nærstående parter			**(1,021,632)**	**(1,014,132)**

* Inkluderer kjøp av tjenester som er videresolgt til riggeier uten påslag

Mellomværende med næstående parter

Regnskapslinje	Nærstående part	Tilknytning	30.06.2022	31.12.2022
Kundefordringer	Selskaper i ODL konsern	Konsernselskap	4,891	14,858
Andre fordringer	Selskaper i ODL konsern	Konsernselskap	5,152	-
Leverandørgjeld	Selskaper i ODL konsern	Konsernselskap	(190,367)	-
Leverandørgjeld	Selskaper i OTL konsern	Nærstående part	(12,228)	(28,430)
Annen kortsiktig gjeld	Selskaper i ODL konsern	Konsernselskap	(30,129)	(189,625)
Annen kortsiktig gjeld	Selskaper i OTL konsern	Nærstående part	-	(1,626)
Netto driftsrelaterte fordringer og gjeld			**(222,682)**	**(204,823)**
Avsatt konsernbidrag	Odfjell Drilling AS	Konsernselskap	-	(91,993)
Sum fordringer og gjeld til nærstående parter			**(222,682)**	**(296,815)**

Konsernets kortsiktige mellomværende forfaller til betaling innen ett år etter regnskapsårets utgang.

Note 6 - Garantistillelse

Selskapet er garantist for et USD 390 millioner obligasjonslån utstedt i mai 2023 av morselskapet Odfjell Rig III Ltd.