



Odfjell Rig III Ltd
Report for the 4th quarter of 2023
and Preliminary Results for the Financial Year ending 31 December 2023

Key figures for the Odfjell Rig III Group

All figures in USD million	Q4 23	Q4 22*	FY 23	FY 22*
Operating revenue	80	73	303	296
EBITDA	45	40	166	155
EBIT	19	17	138	64
Net profit (loss)	8	17	97	59
EBITDA margin	56%	55%	55%	52%
Total assets			1,093	1,081
Net interest bearing debt			304	53
Equity			611	
Equity ratio			56%	

* Predecessor carve-out combined comparatives, refer to Note 1 for further information

(Comparable figures for same period in prior year in brackets)

Profit Q4 2023

Operating revenue for Q4 2023 was USD 80 million (USD 73 million), an increase of USD 7 million mainly due to higher rates for both rigs.

EBITDA in Q4 2023 was USD 45 million (USD 40 million), an increase of USD 5 million. The EBITDA margin in Q4 2023 was 56% (55%).

Profit FY 2023

Operating revenue FY 2023 was USD 303 million (USD 296 million), an increase of USD 7 million. The main driver is a positive variance of USD 4 million for

Deepsea Aberdeen due to higher rate while working on the Svalin field in Q4, but offset by lower daily rate during Q1 2023 compared to Q1 2022 when the rig worked for BP/Wintershall. Deepsea Atlantic has a positive variance due to higher bonus.

EBITDA FY 2023 was USD 166 million (USD 155 million), an increase of USD 11 million. There was an improved EBITDA for both rigs.

EBIT FY 2023 was USD 138 million (USD 64 million), an increase of USD 74 million, mainly explained by the USD 71 million reversal of impairment losses. Refer to Note 6 for further information.

Net financial expenses FY 2023 amounted to USD 43 million (USD 3 million), an increase of USD 40 million. Interest

expenses have increased by USD 27 million mainly due to new bond-loan, see Note 7, and interim use of a frame loan agreement with Parent company, see Note 12. There is a negative change of USD 7 million in net currency loss and a negative change of USD 7 million related to fair value measurements compared to 2022.

Balance sheet

Total assets as at 31 December 2023 amounted to USD 1,093 million (USD 1,081 million as at 31 December 2022), an increase of USD 12 million.

Total equity as at 31 December 2023 amounted to USD 611 million, and the equity ratio was 56%. The equity in the reported 2022 periods are not comparable

as these are based on carve-out combined financial statements.

Net interest bearing debt as at 31 December 2023 amounted to USD 304 million (USD 53 million as at 31 December 2022), a increase of USD 251 million, due to new bond loan.

At 31 December 2023, cash amounted to USD 63 million, (USD 79 million as at 31 December 2022), a decrease of USD 16 million.

Cash flow Q4 2023

Net cash flow from operating activities in Q4 2023 was USD 50 million (USD 81 million). The Group paid net interest of USD 19 million (USD 3 million).

Net cash outflow from investing activities in Q4 2023 was USD 5 million (USD 18 million) related to purchases of fixed assets.

Net cash outflow from financing activities in Q4 2023 was USD 24 million (USD 70 million). The Group paid USD 20 million in

instalment on the bond loan and USD 4 million on leases.

Cash flow FY 2023

Net cash flow from operating activities FY 2023 was USD 151 million (USD 160 million). The Group paid net interest of USD 25 million (USD 9 million).

Net cash outflow from investing activities FY 2023 was USD 327 million (USD 31 million). The Group paid USD 292 million to obtain control of subsidiaries. USD 41 million was paid for purchases of fixed assets, while USD 6 million was received from the Norwegian NOx fund.

Net cash flow from financing activities FY 2023 was USD 167 million (cash outflow of USD 110 million). The Group had net proceeds of USD 383 million from the issuance of a bond. The Group repaid USD 107 million to settle the old facility, and paid USD 103 million in ordinary instalments on credit facilities, loans and leases.

St. Julian's, Malta

14 February 2024

Board of Directors of Odfjell Rig III Ltd.

John Carbone, Director

Erik Askvik, Director

Øivind Haraldsen, Director

Condensed Consolidated Financial Statements



Condensed Consolidated Income Statement

USD million	Note	Q4 23	Q4 22*	FY 23	FY 22*
Operating revenue	3	80.0	73.1	302.6	295.9
Personnel expenses		(18.5)	(17.0)	(71.8)	(70.7)
Other operating expenses		(16.9)	(15.6)	(64.9)	(70.1)
EBITDA		44.6	40.5	165.9	155.1
Depreciation, amortisation and impairment	6	(26.0)	(23.7)	(27.8)	(91.1)
Operating profit (EBIT)		18.6	16.8	138.1	64.0
Net financial items	4	(13.2)	0.9	(43.2)	(2.8)
Profit before taxes		5.4	17.7	95.0	61.2
Income taxes	5	2.9	(0.5)	1.7	(1.7)
Profit (loss)		8.3	17.1	96.7	59.5
Profit (loss) attributable to:					
Owners of the parent		8.3	17.1	96.7	59.5

* Predecessor carve-out combined comparatives, refer to Note 1 for further information

Condensed Consolidated Statement of Comprehensive Income

USD million	Q4 23	Q4 22*	FY 23	FY 22*
Profit (loss)	8.3	17.1	96.7	59.5
Items that are or may be reclassified to profit or loss:				
Cash flow hedges	0.3	(0.1)	0.2	(0.6)
Currency translation differences	1.7	2.0	(1.1)	(5.4)
Other comprehensive income, net of tax	2.0	1.9	(0.9)	(6.0)
Total comprehensive income	10.3	19.0	95.8	53.5
Total comprehensive income attributable to:				
Owners of the parent	10.3	19.0	95.8	53.5

* Predecessor carve-out combined comparatives, refer to Note 1 for further information

Condensed Consolidated Statement of Financial Position

USD million	Note	31.12.2023	31.12.2022*	01.01.2022*
ASSETS				
Property, plant and equipment	6	987.4	954.3	984.4
Deferred tax asset	5	4.3	0.6	-
Derivative financial instruments		-	-	5.0
Total non-current assets		991.6	954.8	989.3
Trade receivables		31.6	40.0	42.4
Other current assets		7.3	7.2	28.5
Cash and cash equivalents		62.8	79.2	61.8
Total current assets		101.7	126.4	132.6
TOTAL ASSETS		1,093.4	1,081.3	1,121.9

* Predecessor carve-out combined comparatives, refer to Note 1 for further information

USD million	Note	31.12.2023	31.12.2022*	01.01.2022*
EQUITY AND LIABILITIES				
Paid-in capital		290.0	131.0	143.0
Other equity		320.6	720.0	712.3
Total equity		610.6	851.0	855.3
Non-current interest-bearing borrowings	7	324.3	79.3	129.4
Non-current lease liabilities	8	6.0	14.3	4.9
Total non-current liabilities		330.4	93.6	134.3
Current interest-bearing borrowings	7	42.9	53.3	53.2
Current lease liabilities	8	17.2	18.0	5.1
Contract liabilities		20.7	9.1	8.8
Trade payables		41.5	17.0	11.2
Other current liabilities		30.2	39.2	54.0
Total current liabilities		152.4	136.7	132.3
Total liabilities		482.8	230.3	266.6
TOTAL EQUITY AND LIABILITIES		1,093.4	1,081.3	1,121.9

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		-	59.5	59.5
Other comprehensive income for the period		-	(6.0)	(6.0)
Total comprehensive income for the period		-	53.5	53.5
Group contribution to other companies in Odfjell Drilling Ltd. Group		-	(5.8)	(5.8)
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		(12.0)	(45.8)	(57.8)
Balance at 31 December 2022		131.0	720.0	851.0
Profit/(loss) for the period		-	97.3	97.3
Other comprehensive income for the period		-	(0.9)	(0.9)
Total comprehensive income for the period		-	96.4	96.4
Group contribution to other companies in Odfjell Drilling Ltd. Group		-	(6.7)	(6.7)
Continuity difference	1	-	(488.5)	(488.5)
Capital contribution		159.0	-	159.0
Transactions with owners		159.0	(495.2)	(336.2)
Balance at 31 December 2023		290.0	321.3	611.3

Condensed Consolidated Statement of Cash Flows

USD million	Note	Q4 23	Q4 22*	FY 23	FY 22*
Cash flows from operating activities:					
Profit/(loss) before tax		5.4	17.7	95.0	61.2
Adjustment for interest, provisions and non-cash elements		39.4	21.4	72.3	104.3
Changes in working capital		23.9	45.8	10.0	5.3
Cash generated from operations		68.7	84.9	177.2	170.8
Net interest paid		(18.7)	(3.2)	(24.9)	(9.4)
Net income tax paid		0.0	(0.8)	(0.9)	(1.3)
Net cash flow from operating activities		50.0	81.0	151.4	160.1
Cash flows from investing activities:					
Purchase of property, plant and equipment	6	(4.5)	(17.8)	(41.1)	(30.6)
Proceeds from grants	6	-	-	5.8	-
Cash used in obtaining control of subsidiaries	1	-	-	(291.9)	-
Net cash flow from investing activities		(4.5)	(17.8)	(327.2)	(30.6)
Cash flows from financing activities:					
Proceeds from borrowings	7	-	-	390.0	-
Payment of transaction costs related to borrowings	7	-	-	(6.7)	-
Repayment of borrowings external	7	(20.0)	(26.0)	(153.0)	(52.0)
Repayment of borrowings related parties	7	-	-	(41.3)	-
Repayment of lease liabilities	8	(3.9)	(3.8)	(15.5)	(11.9)
Group contributions and dividends to companies in Odfjell Drilling Ltd. Group		-	(40.0)	(6.7)	(45.8)
Net cash flow from financing activities		(23.9)	(69.8)	166.9	(109.8)
Effects of exchange rate changes on cash and cash equivalents		(0.5)	4.6	(7.4)	(2.3)
Net increase (decrease) in cash and cash equivalents		21.1	(2.0)	(16.4)	17.4
Cash and cash equivalents at beginning of period		41.7	81.2	79.2	61.8
Cash and cash equivalents at period end		62.8	79.2	62.8	79.2

* Predecessor carve-out combined comparatives, refer to Note 1 for further information

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, Bermuda. 1 December 2023 the company and the two rig owning subsidiaries completed a tax relocation from the United Kingdom to Malta. The Company is now tax resident in Malta with its head office at 132, Portomaso Business Centre, Portomaso Avenue, St. Julian's STJ 4011, Malta.

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

As part of the refinancing of the Odfjell Drilling Group ('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 acquired the rig owning company Deep Sea Atlantic (UK) Ltd and the operating company Odfjell Invest AS. Concurrent with the acquisition, 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 OR III 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 14 February 2024 and have not been audited.

Basis for preparation

First-time consolidated financial statements

The OR III group's interim financial statement for the twelve months ending 31 December 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. 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 OR III group is relevant.

The annual financial statements as at and for the year ending 31 December 2023 will be the OR III 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 OR III group's first consolidated IFRS financial statements.

The legal formation of the OR III 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 carve-out 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 Odfjell Invest AS, were a part of the OR III group for all periods presented. The OR III 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 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 OR III 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 OR III group has adequate resources to continue its operational existence for the foreseeable future. Hence, the OR III 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 OR III 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 OR III 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 OR III 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 OR III group provides drilling and related services to oil and gas companies. The OR III 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 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. 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.

USD million	Q4 23	Q4 22	FY 23	FY 22
Revenue from contracts with customers	40.8	36.7	156.4	179.3
Lease component in drilling contracts	39.3	36.4	146.2	116.6
Other operating revenue	-	-	-	-
Operating revenue	80.0	73.1	302.6	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	Q4 23	Q4 22	FY 23	FY 22
Interest income		0.8	0.7	2.8	1.2
Interest expense lease liabilities	8	(0.5)	(0.6)	(2.2)	(2.0)
Other interest expenses		(12.2)	(2.6)	(35.0)	(8.5)
Other borrowing expenses		(0.4)	(0.4)	(2.7)	(1.9)
Change in fair value of derivatives		-	0.5	-	7.2
Net currency gain/(loss)		0.0	3.7	(5.0)	1.9
Other financial items		(1.0)	(0.5)	(1.1)	(0.5)
Net financial items		(13.2)	0.9	(43.2)	(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 borrowing of funds.

Note 5 Income tax expense

The income tax expense for 2022 and taxes payable relate to taxable profits in Norway for the operating companies.

The mobile offshore rigs Deepsea Aberdeen and Deepsea Atlantic were up until December 2023 allocated to and operated by Dubai registered branches of their respective UK tax resident companies. Net profit related to the rigs

were attributable to the Dubai branch of the company in accordance with the foreign branch exemption, and were therefore not taxable in the UK. There were no company income tax for the Dubai branches in 2022 and 2023.

1 December 2023 the company and the two rig owning subsidiaries completed a tax relocation from the United Kingdom to

Malta. Later in December 2023 the mobile offshore rigs were transferred from the Dubai branches to the Malta taxable companies.

The tax value of the rigs when entering Malta tax jurisdiction were set to estimated market value, which was higher than the book value of the assets. This

resulted in a deferred income tax asset of USD 3.5 million being recognised.

The deferred tax asset is calculated using a tax rate of 5% which represent the statutory tax rate expected to apply when the temporary differences reverses.

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.

Specification and movements 2023

<i>USD million</i>	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 *	26.6	28.7	6.7	61.9
Depreciation	(59.7)	(24.8)	(14.6)	(99.2)
Reversal of impairment	71.3	-	-	71.3
Currency translation differences	-	-	(1.0)	(1.0)
Net book amount as at 31 December 2023	923.7	42.5	21.1	987.4
<i>Useful lifetime</i>	<i>5 - 30 years</i>	<i>5 years</i>	<i>2-4 years</i>	
<i>Depreciation schedule</i>	<i>Straight line</i>	<i>Straight line</i>	<i>Straight line</i>	

* 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).

Specification and movements full year 2022

<i>USD million</i>	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
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 31 December 2022	885.5	38.7	30.1	954.3
<i>Useful lifetime</i>	<i>5 - 30 years</i>	<i>5 years</i>	<i>2-4 years</i>	
<i>Depreciation schedule</i>	<i>Straight line</i>	<i>Straight line</i>	<i>Straight line</i>	

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. Odfjell Rig III has not

identified any impairment indicators as at 31 December 2023.

Reversal of impairment losses recognised in prior periods

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.

significant favourable effects in the market environment, leading to changes in the estimate used to determine the recoverable amount when the rig was impaired. These changes mainly impact the expected future day rates.

assessed the impaired drilling rig for impairment reversal as at 30 September 2023.

This is a reversal of all previous impairment for the rig. The carrying amount for the rig is now equal to the amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior periods.

30 September 2023, Odfjell Rig III identified indications that there are

On the basis of the identified indicators of impairment reversal, Odfjell Rig III

Based on the tests performed, the group identified and recognised reversal impairment of USD 71 million for Deepsea Atlantic in Q3 2023.

The key assumptions used in the tests are listed in the table below.

Key assumptions	Deepsea Atlantic
Weighted Average Cost of Capital (WACC)	11.0%
Estimated firm contract days	984
Estimated average day rate for firm periods (USD thousand)	396
Future base case day rates (USD thousand)	450
Future base case OPEX day rates (USD thousand)	160
Financial utilisation in periods without firm contract	95%

Sensitivity analysis - all amounts in USD million

Estimated impairment write-down if:	Deepsea Atlantic
- WACC increased by	1,5 pp -
- WACC increased by	3,0 pp 4
- Day rate level decreased by *	10% -
- Day rate level decreased by *	20% 61
- Normalised opex level increased by	10% -
- Normalised opex level increased by	20% 1
- Financial utilisation in normalised period decreased by	10 pp -
- Financial utilisation in normalised period decreased by	20 pp 61

* excluding firm contractual day rates

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 which it relates.

Interest-bearing borrowings specification

USD million	Note	31.12.2023	31.12.2022
Non-current interest-bearing borrowings related parties	12	-	-
Non-current interest-bearing borrowings external		324.3	79.3
Current interest-bearing borrowings		42.9	53.3
Total		367.2	132.6

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

USD million	31.12.2023			31.12.2022		
	Non-current	Current	Total	Non-current	Current	Total
Carrying amount as at 1 January	79.3	53.3	132.6	129.4	53.2	182.6
CASH FLOWS:			-			-
New bond loan	390.0	-	390.0	-	-	-
Paid transaction costs related to new loan	(6.7)	-	(6.7)	-	-	-
Repayment external borrowings	-	(153.0)	(153.0)	-	(52.0)	(52.0)
Repayment borrowings related parties	(41.3)	-	(41.3)	-	-	-
NON-CASH FLOWS:						
Reclassified from / (to) current borrowings	(141.0)	141.0	-	(52.0)	52.0	-
New loan related parties - offset agreement	205.6	-	205.6	-	-	-
Loan related parties capitalised as other contributed equity	(156.0)	-	(156.0)	-	-	-
Offset other current receivables and payables	(8.3)	-	(8.3)	-	-	-
Change in transaction cost, unamortised	2.7	-	2.7	1.9	-	1.9
Change in accrued interest cost	-	1.6	1.6	-	0.2	0.2
Carrying amount as at 31 December	324.3	42.9	367.2	79.3	53.3	132.6

The Odfjell Rig III Ltd. facility

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

Available drawing facilities

The OR III group has a frame loan with the parent company with undrawn amount of USD 400 million, refer to note 12.

Covenants

The OR III group is compliant with all financial covenants as at 31 December 2023, and Odfjell Drilling group is compliant as a 31 December 2023 with all financial covenants that could

The Odfjell Rig III Ltd senior secured bond

31 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.

impact the OR III group through cross default clauses.

Financial covenants related to the senior secured bond

Equity ratio	≥ 30%
Free liquidity	≥ USD 50m
Current ratio	≥ 1.0x

Note 8 Leases

This note relates to the OR III group as a lessee only.

The OR III 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.

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	31.12.2023	31.12.2022
Non-current	6.0	14.3
Current	17.2	18.0
Total	23.2	32.3

Movements in lease liabilities are analysed as follows:

USD million	31.12.2023			31.12.2022		
	Non-current	Current	Total	Non-current	Current	Total
Carrying amount as at 1 January	14.3	18.0	32.3	4.9	5.1	10.0
CASH FLOWS:						
Payments for the principal portion of the lease liability	-	(15.5)	(15.5)	-	(11.9)	(11.9)
Payments for the interest portion of the lease liability	-	(2.2)	(2.2)	-	(2.0)	(2.0)
NON-CASH FLOWS:						
New lease liabilities recognised in the year	6.7	-	6.7	33.6	-	33.6
Interest expense on lease liabilities	2.2	-	2.2	2.0	-	2.0
Reclassified to current portion of lease liabilities	(17.1)	17.1	-	(27.3)	27.3	-
Currency exchange differences	(0.1)	(0.2)	(0.3)	1.1	(0.5)	0.6
Carrying amount as at end of period	6.0	17.2	23.2	14.3	18.0	32.3

Note 9 Financial risk management and financial instruments

Financial risk factors

The OR III 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. Odfjell 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 OR III group's interest risk is low, as 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.

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 Odfjell Rig III group had the following financial instruments at each reporting period

USD million	Level	31.12.2023	31.12.2022
Financial assets at fair value through profit or loss			
DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS			
- Foreign exchange forward contracts - Other current assets	2	0.4	-
Other financial assets			
Trade and other current receivables		37.2	42.4
Cash and cash equivalents		62.8	79.2
Total financial assets		100.4	121.6

<i>USD million</i>	Level	31.12.2023	31.12.2022
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
Derivatives designated as hedging instruments			
- Foreign exchange forward contracts - Other current liabilities	2	0.2	-
OTHER FINANCIAL LIABILITIES			
Non-current interest-bearing borrowings		324.3	79.3
Current interest-bearing borrowings		6.0	53.3
Non-current lease liabilities		42.9	14.3
Current lease liabilities		17.2	18.0
Trade and other payables		68.6	54.3
Total financial liabilities		459.2	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:

<i>USD million</i>	31.12.2023	31.12.2022
Rig investments	38.4	40.4
Total	38.4	40.4

The major part of committed capital expenditure as at 31 December 2023 is related to the new blow out preventer (BOP) for the rig Deepsea Atlantic, as well as the upcoming periodic maintenance for the rig, and is mainly expected 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

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 OR III group had the following material transactions with related parties:

USD million	Relation	Q4 23	Q4 22	FY 23	FY 22
Companies within the Odfjell Drilling group	Group company	0.1	0.1	0.5	0.4
Companies within the Odfjell Technology group	Related to main shareholder	-	-	-	0.0
Total sales of services to related parties		0.1	0.1	0.5	0.4

Sales of services include administration services and personnel hire.

USD million	Relation	Q4 23	Q4 22	FY 23	FY 22
Companies within the Odfjell Drilling group	Group company	22.2	30.7	99.3	127.8
Companies within the Odfjell Technology group	Related to main shareholder	4.8	7.7	18.2	36.6
Total purchases from related parties		27.0	38.4	117.5	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	Q4 23	Q4 22	FY 23	FY 22
Odfjell Rig Owning Ltd.	Group company	2.4	-	8.2	-
Total interest expenses related parties		2.4	-	8.2	-

Non-current interest-bearing borrowings:

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.

In November 2023 the outstanding balance of the loan was settled by as USD 159 million capital contribution from the parent company.

As at 31 December 2023 the Company does not have any related party non-current interest-bearing borrowings.

Current receivables and liabilities

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

USD million	31.12.2023	31.12.2022
Trade receivables	-	-
Other current receivables	3.1	2.1
Trade payables	(12.9)	(7.4)
Other current payables	(23.7)	(36.9)
Net current payables related parties	(33.4)	(42.2)

Lease agreements

Lease liability

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

USD million	31.12.2023	31.12.2022
Mooring and drilling equipment	23.2	32.3
Total lease liability	23.2	32.3

Lease payments (both interest and instalments)

USD million	Q4 23	Q4 22	FY 23	FY 22
Mooring and drilling equipment	4.4	4.4	17.7	14.0
Total lease payments (both interest and instalments)	4.4	4.4	17.7	14.0

| **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 31 December 2023.

| Appendix 1: Definitions of alternative performance measures

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.

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.

For more information visit odfjelldrilling.com

