Odfjell Rig III Ltd.
Annual Report 2023

FIVE DECADES OF OPERATIONAL EXCELLENCE

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Board of Directors during the year

Kjetil Gjersdal

Appointed 29 March 2022, resigned 30 November 2023

Kjetil Gjersdal, born 1970 and a Norwegian resident, has a Bachelor of Science in Marine & Offshore technology from Ålesund University College. He has more than 25 years' experience in the drilling and well industry. Since joining Odfjell Drilling in 2000, he has held various positions within Operations and Rig Management, such as Rig Manager, VP MODU Operations, SVP MODU International and EVP MODU. He is CEO of Odfjell Drilling AS.

Helene Odfjell

Appointed 9 November 2011, resigned 30 November 2023

Helene Odfjell, born 1965 and a UK resident, holds a Bachelor of Business Administration from the Norwegian School of Economics (NHH), a Master of Business Administration in Finance and Strategy from London Business School and is a Chartered Financial Analyst. Ms. Odfjell has many years of experience in business and management and holds many board and management positions in the affiliates of the Company.

Diane Stephen

Appointed 29 March 2022, resigned 30 November 2023

Diane Stephen, born 1969 and a UK resident, has an MA Hons degree in Accountancy from the University of Aberdeen and is a qualified Chartered Accountant with over 25 years experience in oil and gas services. She has had several financial management positions in her career, including a period in the US and is the General Manager of Odfjell Drilling Ltd.

Erik Askvik

Appointed 30 November 2023

Erik Askvik, born 1962 and a Malta resident, has a B.Sc in Petroleum and Drilling Engineering and is CEO of Odfjell Drilling Malta. Mr Askvik has been with the ODL Group since 1986 in a number of positions including EVP Operations, EVP Business Development and General Manager of the Group's rig owning entities.

Øivind Haraldsen

Appointed 30 November 2023

Øivind Haraldsen, born 1960 and a Malta resident, has a Master of Business & Administration from the University of Oregon, USA. He is Managing Director at Ocean Yield Malta Ltd and previously spent 16 years in Danske Bank AS, mainly as Global Head of Shipping. Prior to that he spent 15 years at Nordea Bank holding positions in the shipping and offshore group., including Head of Shipping in London.

John Carbone

Appointed 30 November 2023

John Carbone, born 1975 and a Malta resident, is a member of the Association of Certified Chartered Accountants and Malta Institute of Accountants and holds a warrant issued by the Malta Accountancy Board to act as a Certified Public Accountant. He has also completed a Diploma in Financial Services Operations and Compliance. He has worked in a number of financial roles as well as previously being CEO of Fast Track Diagnostics Limited, a Siemens Healthineers subsidiary.

Corporate Governance Report

Odfjell Rig III Ltd. (the "Company") is incorporated in Bermuda and is subject to Bermudan law. It is 100% owned by Odfjell Rig Owning Ltd, which is in turn 100% owned by Odfjell Drilling Ltd. which is listed on the Oslo Stock Exchange. The Company has a bond which was listed on the Oslo Stock Exchange in October 2023. The Company is managed and controlled from Malta, following a move from the United Kingdom ("UK") on the 1st December 2023. The majority of the Board are Maltese resident, resulting in the Company being resident in Malta for tax purposes, having previously been resident in the UK until 1st December 2023. Odfjell Rig III Ltd and its subsidiaries (the "OR III Group" or "Group") is also subject to the laws of the countries in which it operates at any time, as well as international law and conventions.

The OR III Group seeks to comply with the applicable legal framework for companies with listings on the Oslo Stock Exchange.

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

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

Governance structure

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

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

Board and committee attendance

The Board convened six times during 2023 with actual attendance compared to possible attendance during the period of their directorship as follows:

Board Member	**Attendance**
Helene Odfjell	4/4
Kjetil Gjersdal	3/4
Diane Stephen	4/4
Erik Askvik	2/2
Øivind Haraldsen	2/2
John Carbone	2/2

The Company's business activities

In accordance with common practice for Bermuda incorporated companies, the Company's objects, as set out in its memorandum of association and Bye-laws are wide.

The OR III Group offers two state-of-the-art mobile offshore drilling units to the harsh environment, ultra-deep water and deep water markets.

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

The Board take account of and refers to objectives and strategies when taking decisions, as well as financial considerations. A framework of operational processes and procedures is in place to support the implementation of the Group strategies.

Equity and dividends

The Group had book equity of USD 611 million and a book equity ratio of 56% as of 31 December 2023. The Board regards the Group's present capital structure as appropriate and tailored to its objectives, strategy, and risk profile.

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

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board also has the power to authorise the Company's purchase of its own shares, whether for cancellation or acquiring as treasury shares, and the power to declare dividends. These powers are neither limited to specific purposes nor to a specified period.

Rights attaching to shares and transactions with close-related parties

The Company has divided the share capital into shares of a single class. The holder of any shares are entitled to one vote per share as well as any dividends the Board may declare.

As is common practice for Bermuda limited companies no shares in the Company carry pre-emption rights. The Company's constituting documents do not impose any transfer restrictions on the Company's common shares.

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

General Meetings

The Board ensures that:

- the notice, supporting documents and information on the resolutions to be considered at the General Meeting are before the General Meeting is held
- the resolutions and supporting documentation, if any, are sufficiently detailed, comprehensive, and specific to allow shareholders to understand and form a view on matters that are to be considered at the General Meeting
- the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board
- in accordance with the Bye-laws, unless otherwise agreed by a majority of those attending and entitled to vote, 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 the Chairman is present. In their absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

Shareholders who cannot be present at the General Meeting will be given the opportunity to vote using proxies and the Company will:

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

Nomination Committee

The Company does not have a Nomination Committee, The Board considers itself able to adequately fulfil the roles and responsibilities ordinarily assigned to a Nomination Committee.

When a need arises to appoint a new or additional director, a careful review of potential candidates will be carried out, considering the need for a diverse mix of skills, talent, and expertise, whilst also considering the importance of independence.

The Board of Directors - composition and independence during 2023

The Board is comprised of two non-executive directors which are considered independent of the Group's Executive Management and one executive director.

On 30 November 2023, the management of the Company moved from the UK to Malta and Helene Odfjell, Kjetil Gjersdal and Diane Stephen resigned as directors, with Erik Askvik, Øivind Haraldsen and John Carbone being appointed on the same date.

The Board of Director's section provides further details on each director's background, skills and expertise. As of 31 December 2023. They possess the relevant expertise, capacity and are elected on an annual basis at the AGM, with the exception of vacancies, which may be filled by the Board. The composition of the Board ensures they can attend to the common interests of all shareholders and that the Board can function effectively as a collegiate body. The Board exercises proper supervision of the management of the Company and its operations.

The Board is comfortable that there is no conflict of interest or compromise to the independence of directors who also serve as directors on Odfjell Rig III Ltd's subsidiary boards. Further, the Board has no concerns about external appointments held by the directors.

The work of the Board of Directors

The Board hold regular meetings throughout the year and ad hoc meetings may be called should the need arise. The agenda for Board meetings is provided in advance of meetings.

In accordance with the Bye-laws, unless otherwise agreed by a majority of those attending and entitled to vote thereafter, 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 the Chairman is present. In their absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

The Board has in place Decisions Guidelines for Sub Holding Companies and Decisions Guideliens for Rig Ownership which have been put in place by the ODL Board. These clearly define matters which are reserved for the decision of the OR III Board and subsidiaries operate within these guidelines involving the Board in matters of strategic importance to the OR III Group. Delegations by the Board are recorded in Board minutes, resolutions, powers of attorney or service agreements.

The Board is responsible for the Company's strategic planning, (inter alia):

- approval of plans and budgets
- monitoring and supervising the management and business of the Company
- ensuring that the accounts and the management of the assets are subject to adequate supervision and are conducted in accordance with applicable legislation
- monitoring, reviewing and approving the annual and interim financial reporting, assessing the performance of internal controls and overseeing the external auditors and legal and regulatory compliance
- taking decisions, endorsing decisions or authorising decisions to be taken, as appropriate, in matters of an unusual nature or of importance to the Company and the Group
- following the ODL Group's policies on ethics, conflicts of interest and compliance with competition law

The Board has appointed a Chief Executive Officer, who is one of the directors, to undertake day to day management and activities of the Company.

The Board maintains oversight of operational activities through a review of reports. These include operational updates, financial reports, QHSE status reports, tenders and opportunities updates and quarterly and full-year results.

The Company does not have an Audit Committee as this is appointed at the ODL Board level. The Company has not established a Remuneration Committee.

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

Risk management and internal controls

The Board recognises its responsibility to secure appropriate risk management systems and internal controls, including internal and external financial reporting.

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

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

The ODL Group has clear and safe communication channels between employees and management to ensure effective reporting of any illegal or unethical activities in the ODL Group, via a whistle-blower reporting portal.

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

Information on risk management systems and internal controls can be read in the Board of Directors Report.

Remuneration of the Board of Directors

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

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

Information and communication

The Company has established guidelines for reporting to the market and is committed to providing timely and precise information to its bond holders, Oslo Stock Exchange and the financial markets in general, through the Oslo Stock Exchange information system. Such information is given in the form of annual reports, quarterly reports, and notices to the stock exchange.

The Company publishes an annual electronic financial calendar with an overview of the dates of important events such as the publishing of interim reports.

Auditors

The reappointment of the auditors KPMG was approved by the shareholder at the General Meeting on 4 May 2023. The shareholder authorised the Board to determine the auditor's annual remuneration.

Processes are in place to ensure that the Company does not utilise the services of the appointed auditor for advice beyond certain thresholds determined in law. Details of fees paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments can be found in Note 29 - Remuneration to the Board of Directors, key executive management and auditor

Board Of Directors Report

As part of the refinancing of the ODL group in Q2 2023, there was a re-organisation, via business combinations under common control by ODL. In this re-organisation, the Company acquired the rig owning company Deep Sea Atlantic (UK) Ltd and the operating company Odfjell Invest AS. The Company also issued a bond of USD 390 million in Q2 2023 and the bond was listed in October 2023.

Following the re-organisation, the Group now owns and operates two high quality mid-water to ultra-deep-water harsh environment mobile offshore drilling units.

Business and market overview

History

The ultimate parent ODL was founded in 1973. Over the past five decades the business has built a solid reputation as a trusted drilling partner focused on delivering quality, value, and results for its client base, in a safe manner. Odfjell Rig III Ltd was incorporated November 2011.

Corporate structure

The Company, incorporated in Bermuda, has a registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. 1 December 2023 the company and the two rig owning subsidiaries completed a 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.

Information regarding related parties can be found at Note 28 - Related parties - transactions, receivables, liabilities and commitments.

Corporate strategy

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

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

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

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

Equity and shares

The Odfjell Rig III Group had book equity of USD 611 million and a book equity ratio of 56% as at 31 December 2023.

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in General Meetings. All shareholders are treated on an equal basis. All the 10,000 shares in the company are owned by Odfjell Rig Owning Ltd.

Taxation

The Company and the two rig owning subsidiaries, are governed from and tax resident in Malta. All three directors of the Company are Malta residents. The ODL Group has published its tax strategy on its website.

The Group maintains internal policies and procedures to support its tax control framework. Key risks and issues related to tax are escalated to and considered by the Board. Where appropriate, the Group looks to engage with tax authorities to disclose, discuss and resolve issues, risks, and uncertain tax positions. The subjective nature of tax legislation means that it is often not possible to mitigate all known tax risks. As a result, at any given time, the Group may be exposed to financial and reputational risks arising from its tax affairs.

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

Focus areas

During 2023, ODL Group successfully executed a planned refinancing exercise, including raising USD 390 million via a bond for the Company. Securing backlog has been another main area of focus.

Sustainability

The Global Reporting Initiative ("GRI") framework is used to drive continuous improvement in ESG efforts, and our focus is on creating clear sustainability ownership in operations. We have an emissions reduction roadmap to help us achieve our net zero target by 2050.

The ODL Group human rights statement can be found on the website Human rights - Odfjell Drilling as well as the Modern Slavery Statement Modern slavery statement - Odfjell Drilling.

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

Growth

Demand for our units has been high with options being exercised and work is constantly ongoing to secure backlog.

Activity in 2023

The Group's two semi-submersible drilling units operated across multiple projects in Norway during 2023 and saw options being exercised during the year.

The Deepsea Atlantic worked on Johan Sverdrup ph. 2 development under the Master Frame Agreement with Equinor, where options were exercised to drill five additional wells, extending the firm backlog into Q2 2024. The SPS is then planned, after which the rig will operate for Equinor in Norway initially and then in the UK for a firm 23 months. There is also four one well options, and three further additional optional periods of approximately one year each.

The Deepsea Aberdeen was under contract with Equinor, working on the Breidablikk development. Following the exercising of options, this will take it up to the end of 2025, with further options thereafter added to the contract which could keep the rig contracted to 2029 if exercised.

Outlook

High energy prices and the continuing focus in securing energy supply, along with a lack of supply and new builds means there is a strong outlook for demand for our rigs. We have firm backlog to at least the end of 2025 with options that if exercised extend backlog beyond that.

There is still a preference for Tier 1 units such as ours, due to the ability to deliver lower total well costs via high performance, operability and flexibility.

2024 and into 2025 will see SPS activity for the Deepsea Atlantic and Deepsea Aberdeen. The organisation has extensive experience in efficiently executing these and has a strong focus on cost control.

Financial Reviews

Consolidated Accounts (predecessor carve-out combined comparable figures in brackets. Refer to Note 2 for more information)

Income Statement

Odfjell Rig III Group generated operating revenue of USD 303 million in 2023 (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.

Total operating expenses were USD 165 million (USD 232 million), a decrease of USD 67 million, mainly explained by the USD 71 million reversal of impairment losses.

The operating profit (EBIT) amounted to USD 138 million (USD 64 million), an increase of USD 74 million.

Net financial expenses 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 15, and interim use of a frame loan agreement with Parent company. 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.

The income tax expense was positive with USD 2 million (expense of USD 2 million). The 2023 income tax expense was affected by the completion of a tax relocation of the rig owning companies to Malta. The true-up of the tax value of the rigs to market values led to deferred tax assets of USD 3.5 million being recognised.

Net profit was USD 97 million (USD 60 million).

Balance Sheet

Consolidated total assets as at 31 December 2022 amounted to USD 1,093 million (USD 1,081 million).

Total non-current assets amounted to USD 992 million (USD 955 million).

Current assets amounted to USD 102 million (USD 126 million), of which USD 63 million was cash and cash equivalents (USD 79 million).

Total equity 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.

Total liabilities amounted to USD 483 million (USD 230 million), reflecting an increase in interest-bearing borrowings of USD 234 million.

Cash Flow

Cash flow from operating activities amounted to USD 151 million (USD 160 million). The variance of USD 139 million from EBIT is mainly explained by depreciation, reversal of impairment and changes in working capital partly offset by interest paid.

The cash outflow from investing activities amounted to USD 327 million (USD 31 million). The Odfjell Rig III 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 NO_x fund.

The cash flow from financing activities amounted to 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.

Critical accounting estimates

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

There is estimation uncertainties in the Group's revenue recognition, value in use calculations and evaluation of useful life. There is use of significant judgement in the Group's evaluation of impairment indicators and in the evaluation of lease term.

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

Parent company accounts

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

The Parent Company reported an operating loss (EBIT) of USD 0.3 million (USD 0.1 million).

The Parent Company reported interest income of USD 3 million (USD 5 million), and interest expenses of USD 36 million (USD 10 million). The Parent Company recognised dividends from subsidiaries of USD 33 million (USD 0 million), and had net other financial expenses of USD 5 million (net other financial income of USD 6 million).

The Parent Company reported a net loss of USD 5 million (net profit of USD 1 million).

Total assets in the Parent Company amounted to USD 689 million as at 31 December 2023 (USD 266 million), an increase of USD 423 million mainly related to the acquisition of two subsidiaries.

Equity in the Parent Company amounted to USD 288 million (USD 134 million), corresponding to an equity ratio of 42% (50%).

Cash flow used in operating activities was USD 14 million (cash flow from operating activities USD 7 million). The variance from 2022 is mainly related to increased payment of interest.

Cash flow used in investing activities was USD 210 million (cash inflow of USD 71 million). In 2023 the Parent Company paid USD 292 million to purchase two subsidiaries, and had net proceeds from intercompany funding of USD 82 million.

Cash flow from financing activities was USD 189 million (cash outflow of USD 52 million) The Parent Company had net proceeds of USD 383 million from the issuance of a bond, and repaid USD 107 million to settle the old facility. In addition, the Parent paid USD 87 million in ordinary instalments on loans and credit facilities.

Risk review

Operational and industrial risk factors

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

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

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

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are:

- volatile oil and gas prices
- global political changes in energy composition
- competition within the oil and gas services industry
- changes in clients' spending budgets
- cost inflation
- Developments in financial and fiscal markets.

Financial risk factors

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

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

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

Liquidity risk

Odfjell Rig III held cash and cash equivalents amounting to USD 63 million at the end of 2023. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2024.

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.

The OR III Group's refinancing risk is considered low, as the Group completed a refinancing in 2023 and the bond matures in second half of 2028.

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 2024, as both units have medium to long-term contracts.

Foreign exchange risk

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

Interest rate risk

As at 31 December 2023, the OR III Group is not materially exposed to changes in market interest rates, as the bond loan has a fixed interest rate. The fixed-rate portion of the OR III Group's interest bearing debt as at 31 December 2023 is 100%.

Credit risk

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

Sustainability risk

Sustainability risks are considered in day to day operations in line with legislative requirements. There are robust processes in place to assess QHSSE risks and mitigating actions. Human rights risk registers are maintained.

Climate Risk

Following an assessment performed by Odfjell Drilling Group of climate risks and opportunities, both physical and transitional risks in the short, medium and long term, were prioritised. 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

Director & Officer's Liability Insurance

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

Going concern

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

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

The Group's refinancing risk is considered low given the full refinancing exercise undertaken in 2023. The bond does not mature until second half of 2028.

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

Subsequent events

There have been no events after the balance date with material effect for the financial statements ended 31 December 2023.

The Board of Odfjell Rig III Ltd.

18 April 2024, St. Julian's, Malta

John Carbone	Erik Askvik	Øivind Haraldsen
Director	Director	Director

Financials

Consolidated Group Financial Statements

Consolidated Income Statement

for the year ended 31 December

USD million	Note	2023	2022*
OPERATING REVENUE	**4,5**	**302.6**	**295.9**
Personnel expenses	6	(71.8)	(70.7)
Depreciation, impairment and amortisation	9	(27.8)	(91.1)
Other operating expenses	7	(64.9)	(70.1)
Total operating expenses		**(164.5)**	**(232.0)**
OPERATING PROFIT (EBIT)		**138.1**	**64.0**
Interest income		2.8	1.2
Interest expenses	7	(39.9)	(12.5)
Other financial items	7	(6.0)	8.5
Net financial expenses		**(43.2)**	**(2.8)**
PROFIT BEFORE INCOME TAX		**95.0**	**61.2**
Income tax expense	8	1.7	(1.7)
NET PROFIT		**96.7**	**59.5**
Profit (loss) attributable to:			
Owners of the parent		96.7	59.5

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD million	Note	2023	2022*
NET PROFIT		**96.7**	**59.5**
Items that are or may be reclassified to profit or loss:			
Cash flow hedges, net of tax	8,20	0.2	(0.6)
Currency translation differences		(1.1)	(5.4)
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(0.9)**	**(6.0)**
TOTAL COMPREHENSIVE INCOME		**95.8**	**53.5**
Total comprehensive income is attributable to:			
Owners of the parent		95.8	53.5

* *Predecessor carve-out combined comparatives, refer to Note 2 for further information.*

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 8 - Income Taxes.

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

Consolidated Statement of Financial Position

USD million	Note	31.12.2023	31.12.2022*	01.01.2022*
Assets				
Property, plant and equipment	9	987.4	954.3	984.4
Deferred tax asset	8	4.3	0.6	-
Derivative financial instruments	20	-	-	5.0
TOTAL NON-CURRENT ASSETS		**991.6**	**954.8**	**989.3**
Trade receivables	13	31.6	40.0	42.4
Other current assets	10	7.3	7.2	28.5
Cash and cash equivalents	14	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**

USD million	Note	31.12.2023	31.12.2022*	01.01.2022*
Equity and liabilities				
Paid in equity	22	290.0	131.0	143.0
Other equity	23	320.6	720.0	712.3
TOTAL EQUITY		**610.6**	**851.0**	**855.3**
Non-current interest-bearing borrowings	15	324.3	79.3	129.4
Non-current lease liabilities	16	6.0	14.3	4.9
Deferred tax liability	8	-	-	0.0
TOTAL NON-CURRENT LIABILITIES		**330.4**	**93.6**	**134.3**
Current interest-bearing borrowings	15	42.9	53.3	53.2
Current lease liabilities	16	17.2	18.0	5.1
Contract liabilities	12	20.7	9.1	8.8
Trade payables		41.5	17.0	11.2
Current income tax		2.9	3.0	1.0
Other current liabilities	17	27.3	36.1	53.0
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

** Predecessor carve-out combined comparatives, refer to Note 2 for further information.*

The Board of Odfjell Rig III Ltd.

18 April 2024, St. Julian's, Malta

John Carbone
Director

Erik Askvik
Director

Øivind Haraldsen
Director

Consolidated Statement of Changes in Equity

USD million	Note	Share capital	Other contributed capital	Total paid in equity	Other reserves	Retained earnings	Total other equity	Total equity
BALANCE AT 1 JANUARY 2022		**0.0**	**143.0**	**143.0**	**(2.5)**	**714.8**	**712.3**	**855.3**
Profit/(loss) for the period		-	-	-	-	59.5	59.5	59.5
Other comprehensive income for the period		-	-	-	(6.0)	-	(6.0)	(6.0)
Total comprehensive income for the period		**-**	**-**	**-**	**(6.0)**	**59.5**	**53.5**	**53.5**
Group contribution to other companies in Odfjell Drilling Ltd. Group		0.0	-	-	-	(5.8)	(5.8)	(5.8)
Dividends distributed to parent company		-	(12.0)	(12.0)	-	-	-	(12.0)
Dividends to other companies in Odfjell Drilling Ltd. Group		-	-	-	-	(40.0)	(40.0)	(40.0)
Transactions with owners		**-**	**(12.0)**	**(12.0)**	**-**	**(45.8)**	**(45.8)**	**(57.8)**
BALANCE AT 31 DECEMBER 2022		**0.0**	**131.0**	**131.0**	**(8.5)**	**728.5**	**720.0**	**851.0**
Profit/(loss) for the period		-	-	-	-	96.7	96.7	96.7
Other comprehensive income for the period		-	-	-	(0.9)	-	(0.9)	(0.9)
Total comprehensive income for the period		**-**	**-**	**-**	**(0.9)**	**96.7**	**95.8**	**95.8**
Group contribution to other companies in Odfjell Drilling Ltd. Group		-	-	-	-	(6.7)	(6.7)	(6.7)
Continuity difference	1	-	-	-	-	(488.5)	(488.5)	(488.5)
Capital contribution	22	-	159.0	159.0	-	-	-	159.0
TRANSACTIONS WITH OWNERS		**-**	**159.0**	**159.0**	**-**	**(495.2)**	**(495.2)**	**(336.2)**
BALANCE AT 31 DECEMBER 2023		**0.0**	**290.0**	**290.0**	**(9.4)**	**330.0**	**320.6**	**610.6**

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	2023	2022*
Cash flows from operating activities:			
Profit before tax		95.0	61.2
Adjustments for:			
Depreciation, impairment and amortisation	9	27.8	91.1
Change in fair value derivatives		-	(7.2)
Net interest expense		37.2	11.3
Net currency loss (gain) not related to operating activities		4.6	(4.3)
Other provisions and adjustments for non-cash items		2.7	13.4
Changes in working capital:			
Trade receivables		5.8	(2.5)
Trade payables		5.3	10.2
Other accruals		(1.1)	(2.4)
Cash generated from operations		**177.2**	**170.8**
Net interest paid		(24.9)	(9.4)
Net income tax paid		(0.9)	(1.3)
NET CASH FLOW FROM OPERATING ACTIVITIES		**151.4**	**160.1**

USD million	Note	2023	2022*
Cash flows from investing activities:			
Purchase of property, plant and equipment		(41.1)	(30.6)
Proceeds from grants	9	5.8	-
Cash used in obtaining control of subsidiaries	1	(291.9)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(327.2)**	**(30.6)**
Cash flows from financing activities:			
Proceeds from borrowings	15	383.3	-
Repayment of borrowings external	15	(153.0)	(52.0)
Repayment of borrowings related parties	15	(41.3)	-
Repayment of lease liabilities	16	(15.5)	(11.9)
Group contributions to companies in Odfjell Drilling Ltd. Group		(6.7)	(45.8)
NET CASH FLOW FROM FINANCING ACTIVITIES		**166.9**	**(109.8)**
Effects of exchange rate changes on cash and cash equivalents		(7.4)	(2.3)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(16.4)**	**17.4**
Cash and cash equivalents at 01.01		79.2	61.8
CASH AND CASH EQUIVALENTS AT 31.12		**62.8**	**79.2**

* *Predecessor carve-out combined comparatives, refer to Note 2 for further information.*

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements 2023

All amounts are in USD millions unless otherwise stated

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Note 1 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.

On 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 re-organisation of the ODL group. The re-organisation was a business combination 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.

The consolidated financial statements including notes for Odfjell Rig III Ltd. for the year 2023 were approved by the Board of Directors on 18 April 2024.

Note 2 Basis for preparing the consolidated financial statements

Basis of preparation

First-time consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 December 2023 comply with IFRS® Accounting Standards as endorsed by the European Union (EU).

The first-time annual consolidated financial statements have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

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

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 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/reportsand- presentations/. ODL's consolidated financial statements comply with IFRS Accounting Standards as endorsed by EU.

The consolidated financial statements ended 31 December 2023 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and note disclosures.

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.

The Group's refinancing risk is considered low given the full refinancing exercise undertaken in 2023. Bond loan do not mature until second half of 2028.

Taking all relevant risk factors and available options for financing 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 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 Accounting Standards 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.

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. Subsidiaries are listed in Note 27.

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.

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.

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

	Average rate		Closing rate as at		
	2023	2022	31.12.2023	31.12.2022	01.01.2022
NOK	0.09464	0.10395	0.09831	0.10145	0.11339
GBP	1.24370	1.23299	1.27150	1.20257	1.34788
EUR	1.08184	1.05126	1.10500	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

Contract liabilities are classified as current liabilities as they are expected to be settled in the normal operating cycle.

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.

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 significant estimates are disclosed in the relevant notes:

- Revenue recognition (Note 5 - Revenue)
- Value in use calculations regarding reversal of impairment (Note 9 - Tangible fixed assets)
- Useful life of tangible assets (Note 9 - Tangible fixed assets)

Detailed information of significant judgements are disclosed in the relevant notes:

- Evaluation of indicators of impairment (Note 9 - Tangible fixed assets)
- Evaluation of lease term (Note 16 - Leases)

Note 4 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 5 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 15, 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.

Significant estimation uncertainty

There is estimation uncertainty in the Group's revenue recognition related to incentive bonus and other variable considerations. 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).

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.

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 12 - 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 12 - Contract balances. Demobilisation expenses are expensed as incurred.

Revenue specification

USD million	2023	2022
Revenue from contracts with customers	156.4	179.3
Lease component in Own Fleet contracts	146.2	116.6
OPERATING REVENUE	**302.6**	**295.9**

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

USD million	2023	2022
Customer 1	296.0	259.1

Disaggregation of revenue by primary geographical markets

All revenue is related to operations on the Norwegian Continental shelf and is therefore allocated to Norway.

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	144	113	257
Between one and two years	204	114	319
Between two and three years	56	29	85
Between three and four years	-	-	-
Between four and five years	-	-	-
After five years	-	-	-
TOTAL	**404**	**256**	**660**

Note 6 Personnel Expenses

USD million	2023	2022
Salaries and wages	0.6	0.6
Other benefits	0.9	0.5
Hired personnel	70.3	69.7
TOTAL PERSONNEL EXPENSES	**71.8**	**70.7**

	2023	2022
No. of employees (annual average)	2	2

Note 7 Combined items, income statement

Other operating expenses

USD million	Note	2023	2022
Hired services		11.7	13.3
Hired equipment		16.1	16.5
Repair and maintenance, inspection, tools, fixtures and fittings		17.7	17.8
Insurance		1.7	1.8
Freight and transport		0.7	0.8
Premises facility expenses		0.0	0.0
Travel and course expenses		0.0	0.5
Other operating and administrative expenses		14.5	17.0
Amortised other operating contract cost	12	2.3	2.4
TOTAL OTHER OPERATING EXPENSES		**64.9**	**70.1**

Interest expenses

USD million	Note	2023	2022
Interest expenses borrowings related parties		8.2	-
Interest expenses external borrowings		24.7	8.0
Amortised transaction costs borrowings		2.7	1.9
Interest expenses lease liabilities	16	2.2	2.0
Other interest expenses		2.0	0.5
TOTAL INTEREST EXPENSES		**39.9**	**12.5**

Other financial items

USD million	Note	2023	2022
Net currency gain / (loss)		(5.0)	1.9
Other financial income		-	0.3
Gain from settlement of interest rate swaps	20	-	12.1
Change in value of market-based derivatives	20	-	(5.0)
Other financial expenses		(1.1)	(0.8)
TOTAL OTHER FINANCIAL ITEMS		**(6.0)**	**8.5**

Note 8 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.

OECD Pillar Two model rules

The Odfjell Drilling Group, which the Odfjell Rig III group is part of, is within the scope of the OECD Pillar Two model rules, however the effects of the global minimum tax ('GloBE) it is not expected to come into effect for the Odfjell Drilling Group until 2026 at the earliest, and likely not until 2027 due to the revenue thresholds in the rules. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, the Group will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum tax rate.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable.

Relocation completed in 2023

The ODL Group is continuously evaluating its structure to ensure that it has the most suitable and efficient corporate organisation and set-up. Following Odfjell Drilling's spinoff of Odfjell Technology in 2022, the rationale behind the previous set-up has lessened, and the re-organisation was initiated.

The mobile offshore rigs 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 respective company in accordance with the foreign branch exemption, and were therefore not taxable in the UK. There was no company income tax for the Dubai branches in 2022 and 2023.

On 1 December 2023 Odfjell Rig III Ltd and the 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 values, 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 reverse.

Income tax expense

USD million	2023	2022
Payable taxes	(2.0)	(2.3)
Change in deferred tax	3.8	0.6
TOTAL INCOME TAX EXPENSE	**1.7**	**(1.7)**
Effective tax rate	-1.8 %	2.7 %

Tax reconciliation

USD million	2023	2022
Profit before income tax expense	95.0	61.2
Tax calculated at domestic tax rates applicable to profits in respective countries	(0.2)	(1.5)
Effect of tax relocation to Malta	3.7	-
Effect of adjustments recognised related to prior periods	-	(0.3)
Effect of net non-taxable income / (expenses)	(1.8)	0.1
INCOME TAX EXPENSE	**1.7**	**(1.7)**

** 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.*

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

USD million	2023	2022
Net deferred tax assets/(deferred tax liabilities) at 01.01	0.6	(0.0)
Income statement charge	3.8	0.6
Change in deferred tax on other comprehensive income	(0.0)	-
Currency translation differences	(0.0)	(0.0)
NET DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES) AT 31.12	**4.3**	**0.6**

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

Deferred tax assets - Specification and movements

USD million	Tax losses	Current assets	Lease liabilities	Total	Deferred tax liabilities offset in deferred tax assets	Net book value of deferred tax asset
OPENING BALANCE 01.01.2022	**-**	**-**	**0.1**	**0.1**	**(0.1)**	**-**
Income statement charge	-		5.8	**5.8**		
Currency translation differences	-		(0.1)	**(0.1)**		
CLOSING BALANCE 31.12.2022	**-**	**-**	**5.8**	**5.8**	**(5.2)**	**0.6**
Income statement charge	4.9	0.0	(1.5)	**3.5**		
Change in deferred tax on other comprehensive income	-	(0.0)	-	**(0.0)**		
Currency translation differences	-	-	(0.2)	**(0.2)**		
CLOSING BALANCE 31.12.2023	**4.9**	**0.0**	**4.1**	**9.0**	**(4.7)**	**4.3**

Deferred tax liabilities - Specification and movements

USD thousands	Deferred capital gains	Fixed assets	Right-of-use Assets	Total	Deferred tax liabilities offset in deferred tax assets	Net book value of deferred tax liability
OPENING BALANCE 01.01.2022	**-**	**-**	**(0.1)**	**(0.1)**	**0.1**	**(0.0)**
Income statement charge	-	-	(5.3)	**(5.3)**		
Currency translation differences	-	-	0.1	**0.1**		
CLOSING BALANCE 31.12.2022	**-**	**-**	**(5.2)**	**(5.2)**	**5.2**	**-**
Income statement charge	-	(1.2)	1.4	**0.3**		
Currency translation differences	-	-	0.2	**0.2**		
CLOSING BALANCE 31.12.2023	**-**	**(1.2)**	**(3.5)**	**(4.7)**	**4.7**	**-**

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

	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
USD million	**2023**	**2023**	**2023**	**2022**	**2022**	**2022**
Cash flow hedges	0.2	(0.0)	0.2	(0.6)	-	(0.6)
OTHER COMPREHENSIVE INCOME	**0.2**	**(0.0)**	**0.2**	**-**	**-**	**-**
Deferred tax		(0.0)			-	

Note 9 Tangible fixed assets

Accounting policy

Property, plant and equipment comprise mainly of mobile offshore drilling units, periodic maintenance and right-of-use assets. 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.

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.

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 and Periodic maintenance contain assets used in contracts with customers that contain a lease component.

Specification and movements 2023

USD million	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2023	1,586.7	98.4	43.5	1,728.6
Additions	26.6	28.7	6.7	61.9
Currency translation differences	-	-	(0.9)	(0.9)
Cost as at 31 December 2023	**1,613.3**	**127.1**	**49.3**	**1,789.7**
Accumulated depreciation and impairment				
At 1 January 2023	(701.3)	(59.7)	(13.4)	(774.4)
Depreciation	(59.7)	(24.8)	(14.6)	(99.2)
Reversal of impairment	71.3	-	-	71.3
Currency translation differences	-	-	(0.2)	(0.2)
As at 31 December 2023	**(689.6)**	**(84.6)**	**(28.2)**	**(802.4)**
NET BOOK VALUE AT 31 DECEMBER 2023	**923.7**	**42.5**	**21.1**	**987.4**
Useful lifetime	*5 - 30 years*	*5 years*	*2-5 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	

Specification and movements 2022

USD million	Mobile drilling units	Periodic maintenance	Right-of-use assets	Total fixed assets
Cost				
At 1 January 2022	1,566.6	90.9	12.2	1,669.6
Additions	20.2	7.9	33.6	61.6
Disposals	-	(0.4)	(1.3)	(1.7)
Currency translation differences	-	-	(0.9)	(0.9)
Cost as at 31 December 2022	**1,586.7**	**98.4**	**43.5**	**1,728.6**
Accumulated depreciation and impairment				
At 1 January 2022	(644.2)	(38.9)	(2.2)	(685.3)
Depreciation	(57.0)	(21.3)	(12.8)	(91.1)
Disposals	-	0.4	1.3	1.7
Currency translation differences	-	-	0.3	0.3
As at 31 December 2022	**(701.3)**	**(59.7)**	**(13.4)**	**(774.4)**
NET BOOK VALUE AT 31 DECEMBER 2022	**885.5**	**38.7**	**30.1**	**954.3**
Useful lifetime	*5 - 30 years*	*5 years*	*2-5 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	

All the right-of-use assets relate to mooring and drilling equipment leased from companies in Odfjell Technology Group (related to the main shareholder.),

Grants received

The Group have received USD 5.8 million from the Norwegian NO_x 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, while Deepsea Aberdeen is depreciated from 21 April 2015.

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. The Group did per 30 September 2023 identify indications that there are significant favourable effects in the market environment, leading to changes in the estimate used to determine the recoverable amount when the rigs were impaired. These changes mainly impact the expected future day rates.

On the basis of the identified indicators of impairment reversal, the Group assessed the impaired drilling rig for impairment reversal.

Based on the estimated recoverable amount for the previously impaired rig, the Group has recognised reversal of impairment of USD 71 million for Deepsea Atlantic as at 30 September 2023.

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

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%
Pre-tax discount rate	12.1%
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*

Significant estimation uncertainty

There is estimation uncertainty in the estimation of value in use / estimated recoverable amount as described above related to reversal of impairment.

There is also estimation uncertainty in the evaluation of useful lifetime of the mobile drilling units. The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. Management evaluates both external and internal sources of information when assessing remaining useful lifetime, including estimated effects of the climate change and the shift to renewable energy sources.

Significant judgement exercised

Management exercises significant judgement in determining whether there are any indicators 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 Group has not identified any impairment indicators as at 31 December 2023.

Note 10 Other assets

Other current assets

USD million	Note	31.12.2023	31.12.2022	01.01.2022
Derivative financial instruments	20	0.4	-	0.6
Prepaid expenses		0.6	0.9	1.6
Assets from contract costs	12	0.5	3.0	7.2
VAT receivables		0.2	0.9	0.3
Other current receivables		5.6	2.4	18.8
TOTAL OTHER CURRENT ASSETS		**7.3**	**7.2**	**28.5**

Note 11 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

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

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.

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

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 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.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Fair value measurement

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

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.

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 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.

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

USD million	Note	Level	31.12.2023	31.12.2022	01.01.2022
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
Derivatives not designated as hedging instruments					
• Interest rate swaps - Other non-current assets	20	2	-	-	5.0
Derivatives designated as hedging instruments					
• Foreign exchange forward contracts - Other current assets	20	2	0.4	-	0.6
OTHER FINANCIAL ASSETS					
Trade receivables	13		31.6	40.0	42.4
Other current receivables	10		5.6	2.4	18.8
Cash and cash equivalents	14		62.8	79.2	61.8
TOTAL FINANCIAL ASSETS			**100.4**	**121.6**	**128.5**

USD million	Note	Level	31.12.2023	31.12.2022	01.01.2022
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS					
Derivatives designated as hedging instruments					
• Foreign exchange forward contracts - Other current liabilities			0.2	-	-
OTHER FINANCIAL LIABILITIES					
• Non-current interest-bearing borrowings	15		324.3	79.3	129.4
• Current interest-bearing borrowings	15		42.9	53.3	53.2
• Non-current lease liabilities	16		6.0	14.3	4.9
• Current lease liabilities	16		17.2	18.0	5.1
• Trade payables			41.5	17.0	11.2
• Other current liabilities	17		27.1	36.1	53.0
TOTAL FINANCIAL LIABILITIES			**459.2**	**218.1**	**256.8**

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

Note 12 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	31.12.2023	31.12.2022	01.01.2022
Contract assets	-	-	-
Contract liabilities	(20.7)	(9.1)	(8.8)

Set out below is the amount of revenue recognised from:

USD million	2023	2022
Amounts included in contract liabilities at the beginning of the year	7.0	3.7
Performance obligations satisfied in the previous years	4.1	0.9

Assets from contract costs

USD million	2023	2022
Asset recognised at 31 December from costs incurred to fulfil a contract	0.5	3.0
Amortisation recognised as cost of providing services during the period	2.3	2.4

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 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 13 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 11 - Financial assets and liabilities.

Trade receivables specification

USD million	Note	31.12.2023	31.12.2022	01.01.2022
Trade receivables		15.6	32.5	25.3
Earned, not yet invoiced operating revenues		16.0	7.5	17.1
Loss allowance	21	-	-	-
TRADE RECEIVABLES - NET		**31.6**	**40.0**	**42.4**

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 21 - Credit risk.

Note 14 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	31.12.2023	31.12.2022	01.01.2022
Cash in bank	27.9	15.1	46.0
Time deposits	34.9	59.0	10.8
Retention accounts *	-	5.2	5.1
Restricted bank deposits	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	**62.8**	**79.2**	**61.8**

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

Note 15 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.

Also refer to accounting policies regarding *Financial liabilities* in Note 11 - Financial assets and liabilities.

Interest-bearing borrowings specification as at 31 December

USD million	Non-current 31.12.2023	Current 31.12.2023	Total 31.12.2023	Non-current 31.12.2022	Current 31.12.2022	Total 31.12.2022	Non-current 01.01.2022	Current 01.01.2022	Total 01.01.2022
Borrowings	330.0	40.0	370.0	81.0	52.0	**133.0**	133.0	52.0	**185.0**
Transaction cost, unamortised	(5.7)	-	(5.7)	(1.7)	-	**(1.7)**	(3.6)	-	**(3.6)**
Accrued interest expenses	-	2.9	2.9	-	1.3	**1.3**	-	1.2	**1.2**
CARRYING AMOUNTS INTEREST-BEARING BORROWINGS	**324.3**	**42.9**	**367.2**	**79.3**	**53.3**	**132.6**	**129.4**	**53.2**	**182.6**

Movements in interest-bearing borrowings

USD million	Non-current 2023	Current 2023	Total 2023	Non-current 2022	Current 2022	Total 2022
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 offset in capital contribution	(159.0)	-	(159.0)	-	-	**-**
Offset other current receivables and payables	(5.3)	-	(5.3)	-	-	**-**
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**

Borrowings related parties

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. USD 205.6 million was drawn on the loan 1 June 2023.

In November 2023 the outstanding balance of the loan was settled by a 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.

Repayment schedule for interest-bearing borrowings as at 31 December

	Non-current	Current	Total
USD million	**31.12.2023**	**31.12.2023**	**31.12.2023**
Within 3 months	-	-	-
Between 3 and 6 months	-	20.0	20.0
Between 6 and 9 months	-	-	-
Between 9 months and 1 year	-	20.0	20.0
Between 1 and 2 years	40.0	-	40.0
Between 2 and 3 years	40.0	-	40.0
Between 3 and 4 years	40.0	-	40.0
Between 4 and 5 years	210.0	-	210.0
Beyond 5 years	-	-	-
TOTAL CONTRACTUAL AMOUNTS	**330.0**	**40.0**	**370.0**

Refer to Note 19 and Note 20 for further information regarding liquidity risk and interest risk.

Refinancing

The Group has in the first half of 2023 completed its planned refinancing.

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.

The Odfjell Rig III Ltd. bank facility

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

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

The bond is listed on Oslo Stock Exchange. There have been few off-book exchanges indicating a fair value of the bond liability of about USD 360 million which does not materially deviate from the carrying amount of USD 367 million.

Available drawing facilities

The OR III group has no available drawing facilities as per 31 December 2023.

Compliance with financial covenants as at 31.12.2023

The applicable financial covenants are calculated at Odfjell Drilling Group level. Both the Odfjell Rig III Group and Odfjell Drilling Group are compliant with all financial covenants as at 31 December 2023.

Financial covenants	The Odfjell Rig III Ltd senior secured bond
Equity	n/a
Equity ratio	≥ 30%
Total liquidity	n/a
Free liquidity	≥ USD 50m
Current ratio	≥ 1.0x
Leverage ratio	n/a

Note 16 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 are typically made for fixed periods of 6 months to 5 years, and usually have extension and/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.

The lease payments are discounted using the incremental borrowing rate. 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.

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.

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.

Significant judgement exercised

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.

Right-of-use assets in the balance sheet

The Right-of-use assets consist of mooring and drilling equipment, and are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 9 - Tangible fixed assets for specification of movements.

Lease liabilities

USD million	31.12.2023	31.12.2022	01.01.2022
Non-current	6.0	14.3	4.9
Current	17.2	18.0	5.1
TOTAL	**23.2**	**32.3**	**10.0**

Movements in lease liabilities are analysed as follows:

	Non-current	Current	Total	Non-current	Current	Total
USD million	**2023**	**2023**	**2023**	**2022**	**2022**	**2022**
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	(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 31 DECEMBER	**6.0**	**17.2**	**23.2**	**14.3**	**18.0**	**32.3**

Rental costs for exemptions

USD million	**2023**	**2022**
Expenses relating to short-term leases	8.1	8.9
Expenses relating to low value items	-	-

Extension and termination options

Extension and termination options are included in the 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).

As the extension options mainly are contingent on the drilling contracts with external customers, some extension options have not been included in the lease liability, because the group is not certain it would need the asset in the option period. As at 31 December 2023, potential future cash outflows of USD 7 million (not discounted) have not been included in the lease liability because it is not reasonable certain that these leases will be extended.

Note 17 Other liabilities

Other current liabilities specification

USD million	Note	31.12.2023	31.12.2022	01.01.2022
Derivative financial instruments	20	0.2	-	-
Other payables and financial liabilities		19.7	28.2	42.8
Other accrued expenses		7.4	7.9	10.2
TOTAL OTHER CURRENT LIABILITIES		**27.3**	**36.1**	**53.0**

Note 18 Financial risk management

Capital management and funding

Capital management is carried out at Odfjell Drilling group level.

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 15 - 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.

	31.12.2023
Equity	610.6
Total assets	1,093.4
EQUITY RATIO	**56%**
Cash and cash equivalents excl.restricted capital	62.8
Available drawing facilities	-
TOTAL AVAILABLE LIQUIDITY	**62.8**

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 at Odfjell Drilling 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 19 Liquidity risk

The OR III Group apply the ODL Group policy regarding the management of the cash positions which has three main objectives:

- Matching of surplus funds against borrowing requirements.
- Secure a high level of liquidity in order to meet future plans of the Group, with a targeted minimum of two months cash flow at all times.
- Limitation of credit risks.

Investments may only be made in securities with a rating of Investment grade, BAA (Moodys) , BBB- (Standard and Poors and Fitch IBCA) or better. The Board can approve deviations on a case by case basis.

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

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 Odfjell Drilling 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.

The Odfjell Rig III Group held cash and cash equivalents amounting to USD 63 million at the end of 2023. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2024.

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.

The Group's refinancing risk is considered low, as the Group completed a refinancing in 2023 and the bond matures in second half of 2028.

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 - 31.12.2023

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 31.12.2023
Interest-bearing borrowings	37.1	36.2	69.6	347.8	-	490.7	367.2
Lease liabilities	8.9	8.5	7.5	-	-	24.9	23.2
Trade payables	41.5	-	-	-	-	41.5	41.5
Other current payables	27.1	-	-	-	-	27.1	27.1

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 31.12.2022
Interest-bearing borrowings	30.5	29.8	84.1	-	-	144.3	132.6
Lease liabilities	8.9	9.1	15.4	1.4	-	34.8	32.3
Trade payables	17.0	-	-	-	-	17.0	17.0
Other current payables	36.1	-	-	-	-	36.1	36.1

Note 20 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 2024, as all units in the fleet has medium to long-term contracts.

Contract status and currency exposure in rig rates

The Deepsea Atlantic was drilling on the Johan Sverdrup Phase II development during 2023, where it will continue until it begins its campaign on the Rosebank field, offshore UK. Current drilling contracts are expected to take firm operations through the first half year of 2026. The day rate for drilling on the Johan Sverdrup consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day. The drilling contract for the Rosebank field include a GBP element intended to cover GBP operating costs. In addition, the Group has entered into forward exchange contracts to hedge some of the residual currency exposure.

Deepsea Aberdeen was on contract in 2023 with Equinor, on the Breidablikk and Svalin fields, offshore Norway. Deepsea Aberdeen is expected to continue its work on Breidablikk until at least the end of 2025. 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

Following an assessment performed by Odfjell Drilling Group of climate risks and opportunities, both physical and transitional risks in the short, medium and long term, were prioritised. 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, or they are expected to be settled in the normal operating cycle.

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

USD million	31.12.2023	31.12.2022	01.01.2022
Non-current assets			
Interest rate swaps - at fair value through profit or loss	-	-	5.0
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS ASSET	**-**	**-**	**5.0**
Current assets			
Foreign exchange contracts - cash flow hedges under hedge accounting	0.4	-	0.6
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS ASSET	**0.4**	**-**	**0.6**
Current liabilities			
Foreign exchange contracts - cash flow hedges under hedge accounting	0.2	-	-
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS LIABILITIES	**0.2**	**-**	**-**

The group's hedging reserves disclosed in Note 23 - Other reserves related to the following instruments:

Cash flow hedging reserves

USD million	Currency forwards	Total hedge reserves
Opening balance 1 January 2022	**0.6**	**0.6**
Change in fair value of hedging instruments recognised in OCI	(0.3)	(0.3)
Reclassified from OCI to profit or loss	(0.2)	(0.2)
CLOSING BALANCE 31 DECEMBER 2022	**-**	**-**
Change in fair value of hedging instruments recognised in OCI	0.2	0.2
Reclassified from OCI to profit or loss	-	-
CLOSING BALANCE 31 DECEMBER 2023	**0.2**	**0.2**

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	31.12.2023	31.12.2022
Interest rate swaps - at fair value through profit or loss		
Amounts recognised in interest expenses	-	(0.1)
Gain from settlement of swaps	-	12.1
Change in fair value	-	(5.0)
Foreign exchange contracts - at fair value through profit or loss		
Change in fair value	-	-

Foreign exchange risk

The consolidated 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 - 31.12.2023

USD million	NOK	GBP	USD
Cash and cash equivalents	7.7	0.3	16.9
Trade receivables	-	-	14.0
Interest-bearing borrowings	-	-	-
Lease liabilities	(6.2)	-	(17.0)
Trade payables	(3.3)	-	(1.9)
Other current payables	-	(0.0)	(1.1)
Foreign currency contracts			
Buy foreign currency (cash flow hedges under hedge accounting)	38.0	-	-
Sell foreign currency (cash flow hedges under hedge accounting)	13.5	25.4	-

Foreign exchange risk - Exposure - 31.12.2022

USD million	NOK	GBP	USD
Cash and cash equivalents	41.5	0.0	9.5
Trade receivables	-	-	16.9
Interest-bearing borrowings	-	-	-
Lease liabilities	(6.0)	-	(26.3)
Trade payables	(0.2)	(0.1)	(2.9)
Other current payables	(67.0)	(0.0)	(0.0)

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

USD million	2023	2022
Net currency gain / (loss) included in finance costs	(5.0)	1.9

Foreign currency contracts	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2023						
Buy foreign currency (cash flow hedges under hedge accounting)	NOK	257.5	16.06.2024-17.08.2026	1:1	0.09831	(0.2)
Sell foreign currency (cash flow hedges under hedge accounting)	GBP	20.0	16.06.2024-17.08.2026	1:1	1.26582	*
Buy foreign currency (cash flow hedges under hedge accounting)	NOK	128.8	24.01.2024-22.08.2024	1:1	0.09709	0.4
Sell foreign currency (cash flow hedges under hedge accounting)	NOK	136.9	24.01.2024-22.08.2024	1:1	0.09132	(0.1)

** Carrying amount included in the line above*

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	2023	2022	2023	2022	2023	2022
Cash and cash equivalents	1.5	(5.3)	0.8	(2.9)	(1.0)	3.6
Current receivables	2.8	3.4	1.4	1.7	(1.4)	(1.7)
Current liabilities	(1.8)	(3.8)	(0.9)	(2.1)	1.2	2.5
NET EFFECT ON PROFIT BEFORE TAX	**2.6**	**(5.8)**	**1.3**	**(3.3)**	**(1.2)**	**4.4**

Interest rate risk

As at 31 December 2023, the Group is not exposed to changes in market interest rates, as the bond loan has a fixed interest rate (9.25%).

The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has only fixed interest rates.

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	31.12.2023	% of total loans	31.12.2022	% of total loans
Variable rate borrowings	-	0%	93.0	70%
Fixed rate borrowings - repricing or maturity dates:				
Less than 1 year	-	0%	-	0%
1-5 years	370.0	100%	40.0	30%
Later than 5 years	-	0%	-	0%
TOTAL CONTRACTUAL AMOUNTS	**370.0**	**100%**	**133.0**	**100%**

Note 21 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 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, 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.

The maximum exposure regarding trade receivables is the carrying amount of USD 32 million.

The Group has not recognised any impairment losses in 2022 or 2023, and the expected loss rate is set to 0.

No provision for impairment losses is recognised as at 31 December 2023.

The ageing of the trade receivables - 31.12.2023

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD million		31.12.2023	31.12.2023	31.12.2023
Not due	0.0%	31.6	-	31.6
0 to 3 months	0.0%	0.0	-	0.0
3 to 6 months	0.0%	-	-	-
Over 6 months	0.0%	-	-	-
TOTAL		**31.6**	**-**	**31.6**

The ageing of the trade receivables - 31.12.2022

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD million		31.12.2022	31.12.2022	31.12.2022
Not due	0.0%	37.7	-	37.7
0 to 3 months	0.0%	1.2	-	1.2
3 to 6 months	0.0%	1.1	-	1.1
Over 6 months	0.0%	-	-	-
TOTAL		**40.0**	**-**	**40.0**

Note 22 Share capital and shareholder information

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.

In November 2023 the Company received a capital contribution of USD 159 million from the parent company. The capital contribution was offset in the outstanding balance of the loan from the parent company.

No dividend was paid during 2023.

Note 23 Other reserves

USD million	Note	Cash flow hedges	Translation differences	Total
At 1 January 2022		**0.6**	**(3.0)**	**(2.5)**
Change in fair value of hedging instruments recognised in OCI	20	(0.3)	-	(0.3)
Reclassified from OCI to profit or loss	20	(0.2)	-	(0.2)
Currency translation difference		-	(5.4)	(5.4)
AT 31 DECEMBER 2022		**-**	**(8.5)**	**(8.5)**
Change in fair value of hedging instruments recognised in OCI	20	0.2	-	0.2
Deferred taxes cashflow hedges	8	(0.0)		(0.0)
Currency translation difference		-	(1.1)	(1.1)
AT 31 DECEMBER 2023		**0.2**	**(9.5)**	**(9.4)**

Note 24 Securities and mortgages

Liabilities secured by mortgage

USD million	31.12.2023	31.12.2022
Non current liabilities - contractual amounts	330.0	42.9
Current liabilities	42.9	372.9
TOTAL	**372.9**	**415.8**

Carrying amount of mortgaged assets:

USD million	31.12.2023	31.12.2022
Property, plant and equipment	987.4	954.3
Receivables and contract assets	38.9	47.2
Bank deposits	62.8	79.2
TOTAL	**1,089.1**	**1,080.7**

	The Odfjell Rig III Ltd senior secured bond
Guarantors	Odfjell Drilling Ltd and various subsidiaries
Collateral Rigs	Deepsea Aberdeen and Deepsea Atlantic

Note 25 Contingencies

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

Note 26 Commitments

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

USD million	**31.12.2023**
Rig investments	38.4
TOTAL	**38.4**

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 27 Subsidiaries

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership 2023	Ownership 2022	Principal activities
Odfjell Drilling Shetland Ltd.	Scotland	Malta *	USD	100	100	Rig owning
Deep Sea Drilling Company AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Atlantic (UK) Ltd. **	England	Malta *	USD	100	100	Rig owning
Odfjell Invest AS **	Norway	Norway	NOK	100	100	Drilling operations

** The company completed a relocation of the business from the United Arab Emirates to Malta in December 2023*

*** Odfjell Rig III Ltd., was not the parent company in 2022, but present historical information as if Odfjell Rig III Ltd and its subsidiaries were a part of the same group for all periods presented.*

The group's 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.

Note 28 Related parties - transactions, receivables, liabilities and commitments

The Group had the following material transactions with related parties:

USD million	Relation	2023	2022
Companies within the Odfjell Drilling Ltd. Group	Ultimate parent group	0.4	0.4
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	0.0	0.0
TOTAL SALES OF SERVICES TO RELATED PARTIES		**0.4**	**0.4**

The revenues are mainly related to administration services provided to other rig owning companies in the group

USD million	Relation	2023	2022
Companies within the Odfjell Drilling Ltd. Group	Ultimate parent group	81.6	113.9
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	18.2	36.6
TOTAL PURCHASES FROM RELATED PARTIES		**99.8**	**150.5**

Purchases from companies within the Odfjell Drilling Group mainly relates to offshore personnel.

Purchases from companies within the Odfjell Technology Group consist of services and rentals, as well as global business services. Amounts listed in the table above do not include payment for rentals considered as leases.

All transactions have been carried out as part of the ordinary operations.

Current receivables and liabilities

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

USD million	Related party	Relation	31.12.2023	31.12.2022
Trade receivables	Companies in Odfjell Drilling and Odfjell Technology Group	Related to main shareholder	-	-
Other current receivables	Companies in Odfjell Drilling and Odfjell Technology Group	Related to main shareholder	3.1	2.1
Trade payables	Companies in Odfjell Drilling and Odfjell Technology Group	Related to main shareholder	(12.9)	(7.4)
Other current payables	Companies in Odfjell Drilling and Odfjell Technology Group	Related to main shareholder	(23.7)	(36.9)
NET CURRENT PAYABLES RELATED PARTIES			**(33.4)**	**(42.2)**

Lease agreements

All lease agreements are with companies in the Odfjell Technology Group, and are therefore considered related party transaction. Refer to Note 16 - Leases.

Note 29 Remuneration to the Board of Directors, key executive management and auditor

Group management

The Group was during 2022 and 2023 the employer for the rig owner's General Manager and the Risk, Insurance & Compliance Manager, who both are providing services for the four rig owning companies in the Odfjell Drilling Group.

Companies in the Odfjell Rig III Ltd. Group also procures management services from ultimate parent company Odfjell Drilling Ltd., and operational services from Odfjell Drilling AS, a company in the Odfjell Drilling Ltd. Group. This includes provision for the executive management group functions including CEO and CFO in Odfjell Drilling AS. The cost of these services are included in other operating expenses.:

Fees to Board of non-executive directors:

No fees have been paid to the Board of Directors during 2023.

Fees to the Group's auditor

USD thousands	**2023**	**2022**
Audit	72	100
Other assurance services	-	-
Tax advisory fee	-	
Fees for other services	43	-
TOTAL REMUNERATION TO THE GROUP'S AUDITOR	**114**	**100**

All listed fees are net of VAT

Note 30 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 2023.

Parent Company Financial Statements

Income Statement

for the year ended 31 December

USD thousands	Note	2023	2022
Other operating expenses	4	(250)	(60)
OPERATING PROFIT / (LOSS) - EBIT		**(250)**	**(60)**
Interest income	5	3,329	4,804
Dividends from subsidiaries	3	32,817	-
Interest expenses	5	(35,647)	(9,892)
Other financial items	5	(5,152)	5,804
Net financial items		**(4,653)**	**715**
Profit / (loss) before tax		**(4,903)**	**655**
Income tax	13	-	-
PROFIT / (LOSS) FOR THE PERIOD		**(4,903)**	**655**
Of which attributable to owners of Odfjell Rig III Ltd.		(4,903)	655

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2022	2022
Profit / (loss) for the period		(4,903)	655
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		**(4,903)**	**655**
Total comprehensive income for the period is attributable to:			
Owners of Odfjell Rig III Ltd.		(4,903)	655

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

Statement of Financial Position

USD thousands	Note	31.12.2023	31.12.2022
Assets			
Investments in subsidiaries	6	648,858	160,354
Non-current receivables subsidiaries	3	-	50,015
TOTAL NON-CURRENT ASSETS		**648,858**	**210,369**
Other current assets		393	217
Other current receivables group companies	3	31,130	8,873
Cash and cash equivalents	8	8,777	46,916
TOTAL CURRENT ASSETS		**40,299**	**56,007**
TOTAL ASSETS		**689,158**	**266,376**

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

USD thousands	Note	31.12.2023	31.12.2022
Equity and liabilities			
Share capital	10	10	10
Other contributed capital		289,973	130,973
Retained earnings		(2,152)	2,752
TOTAL EQUITY		**287,831**	**133,734**
Non-current interest-bearing borrowings	9	324,322	79,308
TOTAL NON-CURRENT LIABILITIES		**324,322**	**79,308**
Current interest-bearing borrowings	9	42,907	53,333
Current liabilities to group companies	3	34,098	-
TOTAL CURRENT LIABILITIES		**77,005**	**53,333**
TOTAL LIABILITIES		**401,327**	**132,641**
TOTAL EQUITY AND LIABILITIES		**689,158**	**266,376**

The Board of Odfjell Rig III Ltd.

18 April 2024, St. Julian's, Malta

John Carbone	Erik Askvik	Øivind Haraldsen
Director	Director	Director

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Total paid- in capital	Retained earnings	Total other equity	Total equity
Balance at 1 January 2022		**10**	**142,973**	**142,983**	**2,097**	**2,097**	**145,079**
Profit/(loss) for the period		-	-	-	655	655	655
Other comprehensive income for the period		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-**	**-**	**-**	**655**	**655**	**655**
Dividends		-	(12,000)	(12,000)	-	-	(12,000)
Transactions with owners		**-**	**(12,000)**	**(12,000)**	**-**	**-**	**(12,000)**
BALANCE AT 31 DECEMBER 2022		**10**	**130,973**	**130,983**	**2,752**	**2,752**	**133,734**
Profit/(loss) for the period		-	-	-	(4,903)	(4,903)	(4,903)
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**(4,903)**	**(4,903)**	**(4,903)**
Capital contribution	3	-	159,000	159,000	-	-	159,000
Transactions with owners		**-**	**159,000**	**159,000**	**-**	**-**	**159,000**
BALANCE AT 31 DECEMBER 2023		**10**	**289,973**	**289,983**	**(2,152)**	**(2,152)**	**287,831**

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

Statement of Cash Flow

for the year ended 31 December

USD thousands	Note	2023	2022
Cash flow from operating activities:			
Profit/(loss) before tax		(4,903)	655
Adjustments for:			
Net interest expense / (income)		32,318	5,088
Change in value of market-based derivatives		-	4,963
Income from subsidiaries		(24,000)	-
Net currency loss / (gain) not related to operating activities		2,994	(345)
Changes in working capital:			
Trade payables		-	(1)
Other accruals and current receivables /payables		(175)	(273)
Cash generated from operations		**6,234**	**10,088**
Net interest received / (paid)		(20,008)	(2,953)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(13,774)**	**7,134**

USD thousands	Note	2023	2022
Cash flows from investing activities:			
Proceeds from non-current lending facilities group companies		46,682	56,350
Net proceeds current intercompany receivables and payables		34,882	15,007
Cash used in obtaining control of subsidiaries	6	(291,947)	-
NET CASH FLOW FROM INVESTING ACTIVITIES		**(210,383)**	**71,357**
Cash flows from financing activities:			
Proceeds from borrowings	9	390,000	-
Payment of transaction costs related to borrowings	9	(6,681)	-
Repayment of borrowings external	9	(153,000)	(52,000)
Repayment of borrowings related parties		(41,307)	-
NET CASH FROM FINANCING ACTIVITIES		**189,012**	**(52,000)**
Exchange gains/(losses) on cash and cash equivalents		(2,994)	345
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(38,139)**	**26,836**
Cash and cash equivalents at 01.01		46,916	20,079
CASH AND CASH EQUIVALENTS AT 31.12		**8,777**	**46,916**

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 Rig III Ltd., have been prepared and presented in accordance with IFRS® Accounting Standards 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 6 - 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.

- Impairment of investment in subsidiaries (Note 6 - Investment in subsidiaries)

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 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2023	2022
Dividends	Deep Sea Atlantic (UK) Ltd	Subsidiary	30,000	-
Dividends	Deep Sea Drilling Company AS	Subsidiary	2,817	-
Interest income non-current loan	Odfjell Drilling Shetland Ltd.	Subsidiary	2,157	4,003
TOTAL			**34,974**	**4,003**

Related parties expenses

Type of transaction	Related party	Relation	2023	2022
Management services	Odfjell Drilling Ltd	Ultimate parent	(19)	(18)
Support services	Odfjell Technology AS	Related to ultimate parent	(9)	(10)
Interest expenses	Odfjell Rig Owning Ltd	Parent	(8,214)	-
Guarantee Commission	Odfjell Drilling Ltd	Ultimate parent	(626)	(430)
Guarantee Commission	Odfjell Rig Owning Ltd	Parent	(361)	(235)
Guarantee Commission	Companies in Odfjell Rig III Group	Subsidiaries	(410)	(153)
TOTAL			**(9,640)**	**(846)**

Non-current receivables- related parties

Subsidiary	Maturity date	Receivable 2023	Receivable 2022
Odfjell Drilling Shetland Ltd	31.01.2024	3,333	50,015
TOTAL LOAN RECEIVABLE		**3,333**	**50,015**
Classified as non-current		-	50,015
Classified as current		3,333	-

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 agreement 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.

Refer to Note 6 - Investments in subsidiaries for impairment indicator assessment as at 31 December 2023.

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 offsetting of a 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 - related parties

USD thousands			2023	2023	2022	2022
Type of transaction	**Related party**	**Relation**	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Other current	Odfjell Rig Owning Ltd	Parent	-	(18,643)	2,002	-
Loan	Odfjell Drilling Shetland Ltd	Subsidiary	3,333	-	-	-
Other current	Companies in Odfjell Rig III Group	Subsidiaries	27,796	(14,806)	6,871	-
Other current	Other companies in Odfjell Drilling Group	Related to parent company	-	(649)	-	-
TOTAL CURRENT			**31,130**	**(34,098)**	**8,873**	**-**

* *The current receivables and liabilities have less than one year maturity.*

Note 4 Operating expenses

USD thousands	Note	2023	2022
Fee to the auditor (excluding VAT):			
Auditors fee		14	4
Other services from auditor		43	-
Other operating expenses:			
Fees for financial and legal assistance		165	28
Management and support services	3	28	28
Other operating expenses		0	0
TOTAL OPERATING EXPENSES		**250**	**60**

There are no employees in the company.

No remuneration was paid to the Board of Directors during the year.

Note 5 Financial income and expenses

USD thousands	Note	2023	2022
Interest income from subsidiaries	3	2,157	4,003
Other interest income		1,172	801
TOTAL INTEREST INCOME		**3,329**	**4,804**

USD thousands	Note	2023	2022
Interest expenses borrowings from group companies	3	(8,214)	-
Interest expenses external borrowings		(24,738)	(7,998)
Amortised transaction costs borrowings		(2,695)	(1,895)
TOTAL INTEREST EXPENSES		**(35,647)**	**(9,892)**

USD thousands		2023	2022
Guarantee commissions	3	(1,398)	(819)
Net currency gain / (loss)		(3,684)	(399)
Realised gain terminated interest rate swaps		-	12,117
Change in fair value interest rate swaps		-	(4,963)
Other financial expenses		(70)	(132)
TOTAL OTHER FINANCIAL ITEMS		**(5,152)**	**5,804**

Note 6 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) 2023	Equity as at 31.12.2023	Book value as at 31.12.2023
Odfjell Drilling Shetland Ltd.	2011	Aberdeen, United Kingdom	Malta	100%	100%	USD	3	39,272	530,837	160,351
Deep Sea Drilling Company AS	2020	Bergen, Norway	Norway	100%	100%	NOK	3,516	3,999	8,064	3
Deep Sea Atlantic (UK) Ltd	2023	Aberdeen, United Kingdom	Malta	100%	100%	USD	3	5,816	350,709	474,000
Odfjell Invest AS	2023	Bergen, Norway	Norway	100%	100%	NOK	23,202	3,526	22,727	14,504
										648,858

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 2023

Refer to Consolidated Financial Statements Note 1 for information regarding the re-organisation of the group in 2023, and subsidiaries acquired.

Dividends received

The company has in 2023 received USD 2.8 million from Deep Sea Drilling Company AS and USD 30 million in dividend from Deep Sea Atlantic (UK) Ltd, of which USD 24 million is presented as current receivable at 31 December 2023.

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.

Recoverable amount of the investments are expected 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.

The company has not identified any additional impairment indicators for the investments as at 31.12.2023.

Note 7 Financial assets and liabilities

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

USD thousands	Note	Level	31.12.2023	31.12.2022
Other financial assets				
• Non-current receivables subsidiaries	3		-	50,015
• Current receivables group companies			31,130	8,873
• Other current receivables			385	217
• Cash and cash equivalents	8		8,777	46,916
TOTAL ASSETS AS AT 31.12			**40,292**	**106,022**

USD thousands	Note	Level	31.12.2023	31.12.2022
Other financial liabilities				
• Interest-bearing borrowings	9		367,229	132,641
• Current liabilities group companies	3		34,098	-
TOTAL LIABILITIES AS AT 31.12.			**401,327**	**132,641**

The fair value of the financial assets and liabilities at amortised cost approximate their carrying amount.

Note 8 Cash and cash equivalents

USD thousands	31.12.2023	31.12.2022
Current account NOK	18	695
Current account USD	1,070	307
Time deposits NOK	7,494	40,704
Time deposits USD	39	38
Retention account USD*	157	5,172
TOTAL CASH AND BANK DEPOSITS	**8,777**	**46,916**

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

None of the bank deposits are restricted.

Note 9 Interest-bearing borrowings

Specification

USD thousands	Non-current 31.12.2023	Current 31.12.2023	Total 31.12.2023	Non-current 31.12.2022	Current 31.12.2022	Total 31.12.2022
Borrowings	330,000	40,000	370,000	81,000	52,000	133,000
Transaction cost, unamortised	(5,678)	-	(5,678)	(1,692)	-	(1,692)
Accrued interest expenses	-	2,907	2,907	-	1,333	1,333
CARRYING AMOUNTS INTEREST-BEARING BORROWINGS	**324,322**	**42,907**	**367,229**	**79,308**	**53,333**	**132,641**

Refer to Consolidated Financial Statements Note 15 for information regarding changes in 2023, movements, covenants and other information regarding the interest-bearing borrowings.

Note 10 Share capital and shareholders

Refer to Note 22 in the Group Financial Statements.

Note 11 Securities and mortgages

Refer to Note 24 in the Consolidated Financial Statements.

Liabilities secured by mortgage

USD thousands	31.12.2023	31.12.2022
Non current liabilities - contractual amounts	(330,000)	(81,000)
Current liabilities	(42,907)	(53,333)
TOTAL LIABILITIES SECURED BY MORTGAGE	**(372,907)**	**(134,333)**

Book value of assets pledged as security

USD thousands	31.12.2023	31.12.2022
Shares in Odfjell Drilling Shetland Ltd	160,351	160,351
Shares in Deep Sea Drilling Company AS	3	3
Shares in Deep Sea Atlantic (UK) Ltd	474,000	-
Shares in Odfjell Invest AS	14,504	-
Receivables group companies	31,130	50,015
Bank deposits	8,777	46,916
TOTAL BOOK VALUE OF ASSETS PLEDGED AS SECURITY	**688,765**	**257,285**

Note 12 Financial Risk Management

Refer to Note 18 - 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 - 31.12.2023

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	37,113	36,188	69,600	347,813	-	490,713	367,229
Current liabilities group companies	34,098		-	-	-	34,098	34,098

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 borrowings	30,481	29,765	84,051	-	-	144,296	132,641

Foreign exchange risk

Exchange-rate risk is low since the Company's operating income and expenses are mostly in USD, however the company have some exposure related to cash in bank. The Company is expected to have the majority of its 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 31.12.2023.

Foreign exchange risk - Exposure 31.12.2023

The only foreign exchange risk in the company is the NOK 7.5 million held as cash and cash equivalents.

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 0.7 million will reduce net profit before taxes. If USD is weakened by 10% against NOK, the increase Cash and cash equivalents of USD 0.7 million will increase net profit before taxes.

Interest rate risk

The company's interest risk is low, as the bond loan has a fixed interest rate.

The company also have related parties interest-bearing receivables, refer to Note 3 - Related parties - transactions, receivables and liabilities. However, since the balance of USD 3.3 million have been repaid in January 2024, the interest risk is related to balance is not material.

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.

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 13 Income taxes

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 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.

The company was from 11 December 2018 until 30 November 2023 tax resident in the United Kingdom and was 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 2022, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2023.

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

Income tax reconciliation

USD thousands	2023	2022
Profit / (loss) before tax	(4,903)	655
• of which taxable in the United Kingdom	(1,000)	655
• of which taxable in Malta	(3,903)	
Tax calculated at domestic tax rates - 19% and 5%	385	(124)
Effect of changes in unrecognised tax assets	(195)	-
Effect of group relief in the United Kingdom	(190)	124
TOTAL INCOME TAX EXPENSE	**-**	**-**

Tax losses

USD thousands	2023	2022
Unused tax losses for which no deferred tax asset has been recognised	3,903	-
Potential tax benefit 5%	195	-

Note 14 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 2023.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2023 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 Rig III Ltd.

18 April 2024, St. Julian's, Malta

John Carbone	Erik Askvik	Øivind Haraldsen
Director	Director	Director

Auditors Report

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To the General Meeting of Odfjell Rig III Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Odfjell Rig III Ltd, which comprise:

- the financial statements of the parent company Odfjell Rig III Ltd (the Company), which comprise the Statement of Financial Position as at 31 December 2023, 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 material accounting policy information, and

- the consolidated financial statements of Odfjell Rig III Ltd and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Board of Directors

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.

KPMG

To the best of our knowledge and belief, no prohibited non-audit services have been provided.

We have been the auditor of the Company for 3 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.

Reversal of impairment of mobile drilling units

Reference is made to Note 3 Critical accounting estimates and judgements and Note 9 Tangible fixed assets

The Key Audit Matter	*How the matter was addressed in our audit*
The Group's own fleet of drilling rigs represents a significant portion of total assets. The Group regularly reviews whether there are any impairment reversal indicators and tests the individual assets for impairment reversal if an indicator is identified. The drilling unit Deepsea Atlantic have been previously impaired and is assessed for potential impairment reversal. In order to assess whether an impairment reversal indicator exists, management applies judgment related to the market conditions in which the drilling rigs operate. The determination of impairment reversal indicators are particularly sensitive to management's assumptions made around the rate level for contract extensions and redeployments after current contracts expire. Management identified an impairment reversal indicator for this asset and determined the recoverable amount using valuation models which includes management's estimates of the future cashflows generated from this asset. The carrying value of the asset is sensitive to management's assumptions on rate level for the rigs beyond the current contract period and expected levels of utilisation. During 2023, a USD 71 million impairment reversal was recognised for the Deepsea Atlantic.	We obtained an understanding of the process for identifying impairment reversal indicators. Our audit procedures included an assessment of key input factors in the impairment reversal indicator assessment. These factors include observations and judgement supporting an expected increase in dayrates driven by increased demand and supply-side constraints. For both assets where management identified such indication of impairment reversal, we evaluated the value-in-use calculations prepared by management, including the key assumptions applied. We assessed the estimates of future cash flows and challenged whether these were appropriate considering both historical performance and recently awarded dayrates for similar assets. We inspected corroborating external information sources including independent broker estimate values for both assets. The inputs to and calculation of discount rate used by management was assessed by reference to market data. The key inputs included the risk-free rate, market risk premium and industry financing structures (gearing and cost of debt and equity). In testing these assumptions, we made use of KPMG valuation experts. We tested the mathematical accuracy of the valuation models used to calculate the value in use. We evaluated the adequacy and appropriateness of the disclosure in Note 9 Tangible fixed assets.

KPMG

Other Information

The Board of Directors (management) is 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 appears 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 statement on Corporate Governance.

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 IFRS Accounting 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.

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 Rig III 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 529900JX0H45QUN1EC58-2023-12-31-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.

Bergen, 18 April 2024

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

For more information visit

www.odfjelldrilling.com

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